FISCAL YEAR 1985 AUTHORIZATIONS FOR THE U.S. CUSTOMS SERVICE, INTERNATIONAL TRADE COMMISSION, U.S. TRADE REPRESENTATIVE; AND TRADE RECOMMENDATIONS FOR REPORT TO BUDGET COMMITTEE

HEARING

BEFORE THE

SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS

HOUSE OF REPRESENTATIVES

NINETY-EIGHTH CONGRESS

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FISCAL YEAR 1985 AUTHORIZATIONS FOR THE U.S. CUSTOMS SERVICE, INTERNATIONAL TRADE COMMISSION, U.S. TRADE REPRESENTATIVE; AND TRADE RECOMMENDATIONS FOR BUDGET COMMITTEE REPORT

TUESDAY, FEBRUARY 7, 1984

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON TRADE,
Washington, D.C.

The subcommittee met at 9:30 a.m., pursuant to notice, in room 1100, Longworth House Office Building, Hon. Sam Gibbons (chairman of the subcommittee) presiding.

[The press release announcing the hearings follows:]

[Press release of Thursday, January 26, 1984]

HON. SAM M. GIBBONS (D. FLA.), CHAIRMAN, SUBCOMMITTEE ON TRADE, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES HEARING ON FISCAL YEAR 1985 AUTHORIZATIONS FOR THE U.S. CUSTOMS SERVICE, INTERNATIONAL TRADE COMMISSION, U.S. TRADE REPRESENTATIVE, AND ON TRADE RECOMMENDATIONS FOR MARCH 15 REPORT TO THE COMMITTEE ON THE BUDGET—FEBRUARY 7, 1984

The Honorable Sam M. Gibbons (D. Fla.), Chairman of the Subcommittee on Trade of the Committee on Ways and Means, U.S. House of Representatives, today announced a public hearing on Tuesday, February 7, 1984, on:

The fiscal year 1985 budget for the U.S. Customs Service;

The fiscal year 1985 budget for the U.S. International Trade Commission;

The fiscal year 1985 budget for the U.S. Trade Representative;

The fiscal year 1985 budget for the trade adjustment assistance programs for workers and firms administered by the Departments of Labor and Commerce; and

Other budget issues under the Subcommittee's jurisdiction, which include Department of Commerce activities in trade agreement implementation, countervailing duty and antidumping administration, activities of the Foreign Commercial Service, trade statistics and industry analysis, and textile programs.

The hearing will be held in the main Committee hearing room, 1100 Longworth House Office Building. The hearing will begin at 9:30 a.m. Subcommittee markup of its budget recommendations to the full Committee on Ways and Means will be held at a later date.

Administration officials will testify first on President Reagan's fiscal year 1985 budget proposals in each of the areas listed above. Any interested persons or organizations may request to be heard, but in view of the very limited time available for this hearing are urged to file written statements for inclusion in the printed hearing record in lieu of personal appearances.

DETAILS FOR SUBMISSION OF REQUESTS TO BE HEARD

Requests to be heard must be made by telephone to Harriett Lawler [telephone (202) 225-3627] by close of business, Thursday, February 2, 1984. The request should be followed by a formal written request addressed to John J. Salmon, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Room 1102 Longworth House Office Building, Washington, D.C. 20515.

In order to assure the most productive use of the limited amount of time available for questions, witnesses appearing before the Subcommittee are required to submit 200 copies of their prepared statements to the full Committee office, room 1102 Longworth House Office Building, at least 24 hours in advance of their scheduled appearance.

Each statement to be presented to the Subcommittee or any written statement submitted for the record must contain the following information:

1. The name, full address, and capacity in which the witness will appear (as well as a telephone number where he or his designated representative may be reached);
2. A list of any clients or persons, or any organization for whom the witness appears; and
3. A topical outline or summary of the comments and recommendations in the full statement.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE

Persons submitting a written statement in lieu of a personal appearance should submit at least six (6) copies of their statement, by the close of business Friday, February 10, 1984, to John J. Salmon, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Room 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements for the record of the printed hearing wish to have their statements distributed to the press and the interested public, they may submit 100 additional copies for this purpose to the Committee during the course of the public hearing.

Chairman GIBBONS. Good morning, ladies and gentlemen.

Today, the Subcommittee on Trade of the Committee on Ways and Means will hold its annual hearing to review the budget requests for fiscal year 1985 for agencies and programs within our jurisdiction so that we can make recommendations to the full Committee for inclusion in its March 15 Budget Committee report.

The second major phase of the hearing is to consider budget levels and other provisions to include in the 1985 authorization bills for the U.S. International Trade Commission, the U.S. Customs Service, and the U.S. Trade Representative.

Finally, this hearing will provide an opportunity for the annual oversight of agency programs and activities.

Today, we will receive testimony first from the ITC and administration officials. Since we must complete this hearing this morning in order to meet in markup session this afternoon, I urge witnesses to summarize your testimony. It will be printed in full in the record of the committee hearing.

Our first witness is the Chairman of the International Trade Commission, Mr. Alfred Eckes.

STATEMENT OF ALFRED E. ECKES, CHAIRMAN, U.S. INTERNATIONAL TRADE COMMISSION, ACCOMPANIED BY PAULA STERN, COMMISSIONER; VERONICA HAGGART, COMMISSIONER; SEELEY G. LODWICK, COMMISSIONER; AND RICHARD ARNOLD, DIRECTOR, OFFICE OF FINANCE AND BUDGET

Mr. ECKES. Thank you very much, Mr. Chairman and members of the subcommittee. It is a pleasure to be here this morning to discuss with you the International Trade Commission's fiscal year

1985 budget request. I am accompanied today by my Commission colleagues. On my far left is our newest Commissioner, Seeley Lodwick. And on his immediate right is Commissioner Veronica Haggart. On my own right is Commissioner Paula Stern. Together with several of the staff members, we would be pleased to answer any of the questions you may have.

As you know, you have our prepared statement, so I will take your invitation literally and offer only a brief summary of it for the record.

Mr. Chairman, the International Trade Commission at present is under seige. Unfair trade practices—like dumping and subsidies—and increased competition from imports have spurred U.S. industries in unprecedented numbers to petition their Government for relief. As Congress has charged the Commission with a key role in implementing its trade laws, this flood of petitions has put a tremendous strain on our resources.

The budget we are proposing for fiscal year 1985 was fashioned to provide for a predicted upward trend in our workload, and it calls for a 10-percent increase in staff. Recent weeks, however, have shown our predictions to be too conservative. Our caseload, already expanding significantly in the first quarter of fiscal year 1984, ballooned in January, as major industries such as steel, copper, and footwear moved to file cases under section 201.

It is obvious now that the 10-percent staff increase will be needed immediately if we are to cope with our workload. For fiscal year 1985 we are requesting $28.4 million to continue our functions, $6.4 million more than the total funds provided in fiscal year 1984.

Frankly, I cannot be confident that with this amount we will have sufficient funds. Our workload is beyond our control. It is my best estimate that the parade of lawyers to our docket room bearing petitions and complaints against foreign firms will continue, and perhaps increase.

In addition, we are receiving more and more requests from Congress and the executive for research data and independent expert advice on trade-related matters. The largest amount of the funds we are requesting will go not for added staffing but for relocation of the Commission. As you recall, last year I testified that our elegant old building was in a state of serious disrepair. Subsequently the Senate passed a bill which would transfer the building to the Smithsonian Institution and relocate the ITC in downtown Washington. We anticipate final congressional action in this session, and foresee that in fiscal year 1985, the Commission will move to a new permanent headquarters.

To summarize, Mr. Chairman, the Commission is asking for a substantial funding increase in fiscal year 1985 and additional funds for fiscal year 1984 to support our spiraling workload. Congress expects the Commission to vigorously administer its trade laws during this difficult period, and we must have additional resources to accomplish our mission effectively.

That concludes my statement. I would be delighted to respond to questions the committee might have.

[The prepared statement follows:]

STATEMENT OF ALFRED ECKES, CHAIRMAN, U.S. INTERNATIONAL TRADE COMMISSION

Mr. Chairman and members of the Subcommittee, I am pleased to have this opportunity to discuss with you the International Trade Commission's fiscal year 1985 budget request. I am accompanied today by my Commission colleagues; and several staff members are also present.

Mr. Chairman, the ITC is under siege. Unfair trade practices—like dumping and subsidies—and increased competition from imports have spurred U.S. industries in unprecedented numbers to petition their government for relief. As Congress has charged the Commission with a key role in implementing its trade laws, this flood of petitions has put a tremendous strain on our resources.

The budget we are proposing for fiscal year 1985 was fashioned to provide for a predicted upward trend in our workload, and it calls for a 10 percent increase in staff. Recent weeks, however, have shown our predictions to be too conservative. Our caseload, already expanding significantly in the first quarter of fiscal year 1984, ballooned in January, as major industries such as steel, copper, and footwear moved to file cases under section 201.

It is obvious now that the 10 percent staff increase will be needed immediately if we are to cope with our workload. Therefore, since submission of our fiscal year 1985 budget justification, we have taken two actions: first, we prepared a supplemental request for fiscal year 1984 which would fund the 10 percent staff increase (and associated costs) on a partial-year basis; second, we amended the fiscal year 1985 budget request, adding $258,000 to allow for the fact that the additional staff will be on board at the beginning of the fiscal year.

With this amendment, the Commission fiscal year 1985 budget request totals $28,410,000. If we assume that the Commission will receive the fiscal year 1984 supplemental for staff increases as well as a supplemental for cost-of-living pay increases ($464,000) the fiscal year 1985 request is $6,372,000 more than the total funds to be provided in fiscal year 1984.

The Commission has long had a reputation for fiscal responsibility. We would not come to you with a request of this magnitude if we did not believe the increased funding was vitally necessary. We face two extraordinary challenges in this and the coming fiscal year: we must handle our escalating workload without diminishing the quality of our research or the thoroughness of our investigations; and we must find a new home for the Commission and relocate with a minimum of disruption to our operations. The second challenge accounts for 55 percent of the increase we are requesting. I will discuss this problem further in a moment.

First, let me expand on our need for additional staff. The Commission has been operating with the same authorized staff level of 438 since 1980. During the years since 1980, our investigative caseload has mushroomed, increasing 82 percent between fiscal year 1981 and fiscal year 1983. The figures for fiscal year 1984 are even more impressive. By the end of the first quarter of this fiscal year, our caseload (completed and pending cases) had climbed to nearly 90 percent of the caseload for all of 1981. New filings during the first quarter of fiscal year 1984 were 130 percent more than the total during the same quarter of fiscal year 1981.

Until December 1983, the growth in caseload involved primarily Title VII antidumping and subsidy cases and unfair trade cases under Section 337, a highly specialized area involving patents, copyrights and trademarks. Section 337 filings in particular took a big jump during the first quarter of fiscal year 1984, increasing to 13 from the three cases filed during the first quarter of fiscal year 1983. We have had to hire two temporary Administrative Law Judges and support staff and also make arrangements to lease additional space to cope with the added burden in just this one area.

December brought the first "escape clause" case under Section 201 for this fiscal year. This has now been joined by three others, and more are expected. These investigations, although they do not involve the severe time pressure that preliminary Title VII cases do, are much broader than Title VII investigations and impose much more strain on Commission resources. We expect to devote considerable staff effort to Section 201 investigations in fiscal year 1984.

What does the Commission expect in fiscal year 1985? Frankly, we expect the parade of lawyers to our docket room with petitions and complaints to continue. There has been an upturn in the U.S. economy, but the trade deficit increased to $69 billion in calendar year 1983, and the Council of Economic Advisors estimates a $110 billion deficit this year.

The strong dollar is one factor in the deteriorating trade balance. Also, many newly emerging industrial nations with low labor costs and modern industrial facilities are proving increasingly competitive in the U.S. marketplace. A conservative

assumption is that each $1 billion increase in the trade deficit costs 25,000 jobs. In face of such losses, industries undoubtedly will continue to seek relief from foreign competition.

As you are aware, the Commission's responsibilities include more than the quasi-judicial investigations I have mentioned. One of our primary responsibilities is to provide Congress and the Executive with research data and independent expert advice to assist them in carrying out their authority to regulate trade. As trade has assumed increasing importance to the nation, Congress and the President have requested more research from the Commission under Section 332. Under way now are 332 studies on topics as varied as the industrial mold industry, the furniture industry, fabricated steel, and foreign industrial targeting. We recently received a request from Congress to look into the problem of imported goods produced by prison labor, and one from the President to assess the probable effects of a free trade area with Israel.

We also believe that it is a Commission responsibility to anticipate some of the trade problems Congress and the Executive will face and to provide research to support further policy making. During fiscal year 1983, we self-initiated studies on such subjects as the robotics and the petrochemical industries and trade-related employment. As the Commission experiences pressure in other areas of its work, it can postpone self-initiated studies. However, 332 requests from Congress and the President must be answered in a timely fashion. We expect increased activity in the 332 area in this and the next fiscal year.

Studies under 332 are not the only avenue through which the Commission supplies Congress and policy-making agencies with information and technical expertise. For example, during fiscal year 1983, the Commission devoted significant staff resources to the Harmonized Commodity Code draft conversion, submitted to the President in June, and to preparations for international trade negotiations on that Code. Over the next few years, as the conversion process goes forward, the Commission will be called upon to provide both Congress and the Executive with assistance on this complex matter. During the past year, the ITC also provided extensive assistance in developing a GATT work program in services. In fiscal year 1985, we will continue this type of effort and our involvement in Trade Policy Staff Committee activities.

In addition there are the periodic reports that Congress expects from the Commission as its principal trade monitor. The Commission's analysts report quarterly on the shifting patterns of exports and imports in specific commodities and on developments in East-West trade. We also periodically report on trade in motor vehicles, chemicals, steel, and other commodities as directed by Congress or the President.

To maintain high quality in the full range of Commission activities requires a dedicated and highly trained staff. As our workload has accelerated, we have tried to modernize our data and word processing capabilities to improve staff output. We also have shifted staff resources to those areas experiencing the most pressure. Now we have reached the point where the effects of the workload increase are being felt throughout the Commission, and staff shifts will no longer solve our problem.

Illustrating this pervasive effect, the dockets operation of the Office of the Secretary processed 3,000 documents in the first quarter of fiscal year 1984, compared to 8,000 for all of fiscal year 1982. Publications issued by the Commission during the first quarter of this year totaled over half the number for all of fiscal year 1982.

The Commission can not perform the tasks set for it in fiscal year 1984 and 1985 with the staff level allocated to it in fiscal year 1980. Therefore, we are requesting a 10 percent staff increase (44 persons) for a total staff level of 482. In addition to salaries, new staff will require funds for office space, equipment and supplies, training, and so forth. This has been included in the $1,706,000 we are requesting for the 44 positions.

If Congress approves a supplemental appropriation for fiscal year 1984, we will begin immediately to recruit for these positions. As you may be aware, recruiting for any of the technical, professional positions for which we do not have delegated examining authority requires an inordinate amount of time. The hurdles erected by OPM are enough to discourage the most persistent employer, but we have no choice but to persevere. The investigations we are confronting involve increasingly complex technologies. As they also involve business confidential data, we can not engage consultants to do the work. We must find and/or train in-house specialists.

The largest single increase in our fiscal year 1985 budget request is $3,522,000 to cover costs of relocating the Commission. As you may recall, during the Commission's appearance last year before this Subcommittee, I raised the issue of the need to substantially repair the Commission's historic headquarters building. Both our House and Senate authorizing committees have been very supportive; and the Gen-

eral Services Administration has made, or is making certain basic repairs. Most of these are cosmetic, however, as GSA intends to transfer the building to the Smithsonian Institution in the near future.

In June 1983, the Senate passed a bill which would accomplish this transfer. The bill specified that the Commission would be consolidated in a downtown District of Columbia location jointly determined acceptable by GSA and the Chairman of the ITC. Similar legislation was pending in the House at the end of the last session; and we understand that the appropriate House Committees will take up the matter again this session in an effort to complete congressional action on the transfer before adjournment.

In the meantime, GSA has been working with us to prepare a prospectus request to the House Public Works Committee to authorize acquisition of office space for the Commission. We expect that both the bill and prospectus will be acted upon in this session and that fiscal year 1985 will be the year the Commission moves to a new permanent headquarters building.

To summarize, the Commission is asking for a substantial funding increase in fiscal year 1985, and additional funds in fiscal year 1984, to support its spiraling workload. If Congress expects the Commission to vigorously administer its trade laws during this difficult period, it must give us the resources we need to accomplish our mission effectively.

This concludes my statement, Mr. Chairman. I, and the staff, will be pleased to answer any questions you may have.

Chairman GIBBONS. Thank you, Mr. Chairman and Commissioners.

First, I want to commend you for the fine work that you do. I know you have always kept it on a very professional level, and I encourage you to always keep it on that level. Call them as you see them. Don't worry about the philosophy. If the law is wrong, let us know and we will try to straighten it out.

I, of course, have looked at your budget. The staff has looked at it. I concur that you need the additional staffing, and you need it now. I know you need to come up to your full complement of commissioners. We hope that will be accomplished soon.

Do you anticipate any further growth in the caseload? You have got a terrible caseload now. What do you see coming down the road?

Mr. ECKES. It is very difficult to foresee. Over the course of January we received three major petitions under section 201, the escape clause. One also was filed in December. We have reason to think there may be other filings under the escape clause. Just how many, I do not know.

I also have reason to think that there may be a number of other cases filed under the dumping and countervailing duty statutes. Our workload under section 337, an obscure provision that deals with unfair trade practices relating to patents and the like is simply spiraling, that caseload, increasing at a rate I think no one anticipated 4 or 5 years ago.

So we are pressured from all directions. And in addition, we are trying to do 332 studies which are often done in response to requests from this committee and the Senate Finance Committee and USTR. It is a very heavy workload, and I think it is going to get worse before it improves. Just how much worse I frankly don't know.

Chairman GIBBONS. All right.

Mr. Schulze, do you have any questions?

Mr. SCHULZE. Thank you, Mr. Chairman. And thank you, Mr. Chairman, for your presentation. My guess would be we are in sort of a political season and that has something to do with the cases

which are filed before you. My guess would be that your workload would tail off around the end of the year. Would you be inclined to agree with that?

Mr. ECKES. I think I would take exception to the analysis and let me explain why, Congressman Schulze. I realize that with respect to section 201, the escape clause, Commission determinations if they are affirmative, are reviewed by the President. So with respect to some of the larger escape clause cases, and, indeed, to all of the escape clause cases, there may be a political timetable.

However, one reason for thinking the workload will not diminish relates I believe to the growing trade deficit. As you know, there are now estimates of a $110 billion deficit for this calendar year. Some are even talking about a deficit as high as $150 billion the following year.

It is difficult for me to know. I do not know what precise correlation exists between our caseload and the trade deficit, but I believe that there is one. We might particularly see increased filing under 337 and under the countervailing duty and antidumping statutes, even though the escape clause filings do seem to be somewhat related to the political timetable.

Mr. SCHULZE. Mr. Chairman, I had some concerns over some of your relocation costs. Are you prepared to discuss those?

Mr. ECKES. We will try to. Information I don't have, we will be happy to supply the committee.

Mr. SCHULZE. I was taken somewhat aback by the estimated over half million dollars for floor and window coverings. Is there something unique, or some reason for those being inordinately high?

Mr. ECKES. Half million dollars for floor and window coverings? Let me ask Mr. Arnold, of our budgetary office. I hadn't seen that breakdown.

Mr. SCHULZE. $550,000, I believe.

Mr. ARNOLD. Sir, those estimates are based on the size of the building that we are likely to move into, and that most frequently now buildings have wall-to-wall coverings in the office spaces. Our estimate is based on the fact that the agency at this point assumes that they will be responsible for paying the full costs. We will be acquiring approximately 130,000 square feet of space. A substantial portion of that will be office space.

In terms of estimating the costs of carpeting and draperies on the offices that will have draperies, that is basically how that figure was arrived at.

Mr. SCHULZE. It just strikes me as being awfully high. Are you right up to the point where it is an existing building? Do you know where you are going to go?

Mr. ARNOLD. No, sir. At this moment there is some discussion of some buildings that may become available. But at this point GSA has yet to supply a prospectus and identify a particular building which the Commission would then need to agree to.

Mr. SCHULZE. Tell me about the unique needs of the Commission which would require specialized air conditioning at an estimated $420,000.

Mr. ARNOLD. The Commission holds large hearings and conferences involving large numbers of people. As a result, those rooms require a heavier duty air-conditioning which is not normally

standard. The agency would be required to pay for that additional air-conditioning strength for those locations.

Mr. SCHULZE. I hear what you are saying; $420,000 will buy an awful lot of Btu's of air-conditioning.

Mr. ARNOLD. Since the building has not been assigned yet, and we had to make some assumptions on what the condition of the building would be like and what additional improvements we would have to make, those are assumed figures on the basis that we would have to do the most required of us—as a building is assigned and we can look at specifics, we can refine those figures.

Mr. SCHULZE. Most of these are sort of seat-of-the-pants guesses or estimates on the relocation costs. But until you get a building you really don't know.

Mr. ARNOLD. We don't know the extent of it. In terms of the rates we used, I think the rates are good. It is just that the extent that we will actually have to do those things, we don't know. So to the degree that they are less than we estimated, the costs should come down.

Mr. SCHULZE. I guess all I can say is that I will keep an eye on this and will be happy when you get your new building to come over and watch the progress. I really would hope we are not going to spend that kind of money on floor covering and draperies.

Another topic: Mr. Chairman, on your computerization, to what degree is your system computerized? Can some of your reports be issued, the computerized reports be issued in a way that they would benefit potential problem areas? It seems to me that you might be able to cut down the caseload if you can say here is a computerized record of everybody who has filed that type of case, and here is the result and here is what happened. Can we through the use of computers, make more information available to not only the general public but to those who have an interest in this area?

Are your computers set up to do that, or are you going in that direction? Just fill me in on that.

Mr. ECKES. Just this year we installed our own in-house computer system. It is in the breakin phase at the moment. That is, we are teaching everyone in the agency what its capabilities are. We anticipate that when it is fully operational, there are going to be some cost savings that come as a result of being less dependent on outside computer facilities such as NIH. I would think that some of the concerns that you are addressing are in the future, about whether or not we should use the computers to prepare lists of past cases so that prospective petitioners could determine whether or not the Commission has ruled on a case similar to theirs.

My impression is that many members of the trade bar already do that for their prospective clients, so I am not specifically aware of what is being done. I would be prepared to consider that. I am not sure whether it overlaps and whether it is a proper function of the agency. But I would be eager to think about it more and respond later.

Mr. SCHULZE. Thank you, Mr. Chairman.

Chairman GIBBONS. Thank you.

Mr. Pease?

Mr. PEASE. Thank you, Mr. Chairman.

Mr. Eckes, I appreciate your being here. We ought to begin by commending any agency that is able to operate with the same staff resources and an 80 or 90 percent caseload increase over the last 3 years. If you have—let me ask you, how have you been able to do this?

Mr. ECKES. It has not been easy, is the quick answer, Congressman. Let me expand on that. Many of the cases that we had in 1982 involved carbon steel, so we were able to treat a unit of some 90-odd cases as a single case for the process of our investigations. What we are encountering now is a somewhat dissimilar situation. We are having increased numbers of cases involving divergent subjects that are on different timetables, which makes it even more complex.

Not only are we encountering everything from, let's say, potatoes and agricultural products to high technology products that we have not previously experienced, but we are having filings that are at staggered intervals. So it is increasingly taxing our resources.

In addition to that, under section 337, which involves patent and trademark infringement, cases are very labor-intensive involving administrative law judges, clerks, participation of our Unfair Import Division; and as a consequence, it seems to me that they are more costly for the Commission to administer than some of the larger escape clauses or some of the multiple filings we may have had in the past under title VII, to which I referred a few moments ago.

Mr. PEASE. How many people do you have on your staff at the moment?

Mr. ECKES. 417 or 18 at last count. I might add that our authorized level is about 438, and part of the disparity is a consequence of our having four commissioners and not six (which is the authorized level), for each commissioner has a few personal staffers. Then you have the ordinary turnover in the course of the year. We are operating at very close to full strength.

Mr. PEASE. So if you add 44 new people, that would be about a 10-percent increase?

Mr. ECKES. It would put us up to an authorized level of 482, that is correct.

Mr. PEASE. Would you expect to hire not only the 44 newly authorized people, but also the others necessary to bring you up to full strength?

Mr. ECKES. At least 10 of the others involve 2 commissioners and 4 staffers each. Hiring those would be contingent on Senate confirmation of appointees to the Commission.

Mr. PEASE. Has the President named people for the Commission?

Mr. ECKES. I don't believe formal nominations have been transmitted to the Hill. It is my understanding that the White House has completed work on the nominations and intends to submit them soon; though unlike some other agencies, we as members of the International Trade Commission are not actively involved in the process of selecting our fellow commissioners.

Mr. PEASE. How long have you been without two commissioners?

Mr. ECKES. Since June 1982, when I became Chairman and former Chairman Alberger departed, we have been operating with less than a full complement of commissioners. There was a period

of 11 months when we had only three commissioners: Commissioners Stern, Haggart, and myself. That was a very difficult period for us because under the restraints of the Sunshine Act, we could not meet one with another to discuss cases, which frustrated the purpose of a collegial-type decisionmaking process.

Mr. PEASE. I think it might be worthwhile to have you describe for the record the condition of your building. Did you cover that in your testimony?

Mr. ECKES. We have addressed it. I will offer a brief summary of it and elaborate on any point of particular interest, Congressman.

As I testified last year, the building was in a sad state of disrepair. Subsequently, GSA has taken some steps that we might characterize as positive, but still short of a full-scale renovation which the building requires. They are, for instance, at the moment putting on a new roof and doing some interior painting to address some of the problems. But the building is very old and requires a full renovation.

As I indicated, the Senate has voted to accede to the Smithsonian's wish to turn over the building to Smithsonian and we would be relocated presumably, perhaps as soon as fiscal year 1985.

Mr. PEASE. You don't know yet where you would be relocated, is that correct?

Mr. ECKES. That is correct.

Mr. PEASE. Mr. Chairman, thank you very much.

Chairman GIBBONS. Mr. Frenzel.

Mr. FRENZEL. Mr. Chairman, I am sorry I was not here for your testimony. However, I have had a chance to review it. I understand the big expense increase occurs by reason of the almost forced redeployment of your resources. I love that building. But I guess it has come to be time to move on, and it certainly is a better museum, I suppose, than an office building in the ultimate scheme of things.

Has there been presented to the Public Works Committee a prospectus which, as I understand it, is necessary to put you in position for space?

Mr. ECKES. We understand that GSA has been working on a prospectus. It has not formally been submitted. We would hope that it could be submitted forthwith.

Mr. FRENZEL. I assume that you are needling them all you can do decently?

Mr. ECKES. Yes.

Mr. FRENZEL. OK. I also note that you have additional staff, and I suspect that in terms of workload you are one of the agencies of Government that is subjected to more increases probably than others. I do have some questions.

What percentage of your workload comes from "332" cases; that is, those that are served up to you by the Congress?

Mr. ECKES. Over the course of the last year we have been working on about 20 "332" cases. I believe roughly half of those were requested by congressional oversight committees or initiated at the request of USTR. I could provide a specific breakdown, if you wish, of a list of them here. We have initiated roughly half of them on our own initiative, after consulting with the congressional oversight committees' staffs and with USTR to see whether there is some benefit in undertaking the study.

Our rationale for instituting some of these is that they deal with issues that would be of concern in a legislative way to Congress or to the policymaking branch. One illustration of a self-initiated study was the recently released one on international counterfeiting which has received considerable attention over the last week or so.

Mr. FRENZEL. Are you satisfied with the way the recommendations come to you from the Congress? Is it a disorderly procedure? Would it be better if they were funneled through a particular committee, so that there would be more discipline in the system?

Mr. ECKES. Well, I think Ways and Means and Senate Finance exercise considerable discipline over the process. They consult with us beforehand as we try to make the outlines of the study suitable to the parties involved. One of the uncertainties is the exact number of requests that are going to come to us during any period of time, and particularly at this point. The 332 studies are obviously of great importance to the oversight committees and USTR. We are also faced, however, with the enormous pressure of the filings by the trade bar lawyers. Many of those cases, particularly under title VII, have specific deadlines of 45 days or the like within which we must render determinations. So at the moment we are stretched very thin and we are certainly going to put on the back burner anything that is discretionary until we get through this period of very intense work.

I come in on Saturday and I know that a quarter of our people are in working just to catch up.

Mr. FRENZEL. Yes, I am a little nervous that whenever we have something that is too hard for us to deal with, we simply laterally pass it to you and hope that you will never get done with it. But it does become a part of the work program eventually.

My judgment is that our reference to you is overdone. How about patent cases, 337, and how many of those do you have going, and how do you respond to the criticism that you have tried to extend your authority in that area and have perhaps gone beyond the original intent of the drafters of the law?

Mr. ECKES. Well, there were 13 cases, I believe, filed in the first quarter of 1984 or fiscal year 1984, up substantially over the previous year. I will provide for the record the number of ongoing 337 cases.

[The information follows:]

For the record, the number of ongoing 337 cases is 43.

Mr. ECKES. With respect to our extending our authority in the area, I am not sure that the criticism is warranted. It seems to me that we have been sustained by the oversight courts, Court of Appeals for the Federal Circuit, in a couple key cases that have dealt with the issue of domestic industry, which has been a controversial one in light of the ambiguities in the law.

If there are specific points, I would be delighted to respond to them now or in a posthearing submission.

Mr. FRENZEL. I now merely mention it as a kind of general warning. You have got plenty of work to do. I think you can stay out of unchartered waters and off unplowed ground.

Mr. ECKES. That is exactly my attitude. We are not looking for new work, Congressman.

Mr. FRENZEL. OK.

Again, Mr. Chairman, thank you for your testimony, and I think for a lot of hard work in what has been a bad year and what is going to be a tougher year.

Mr. ECKES. Well, it is a shared experience, and we are trying.

Chairman GIBBONS. Mr. Chairman, we thank you and thank the other Commissioners.

Our next witness is from the U.S. Trade Representative's Office, Mr. Dennis E. Whitfield, Assistant U.S. Trade Representative for Administration.

STATEMENT OF DENNIS E. WHITFIELD, ASSISTANT U.S. TRADE REPRESENTATIVE FOR ADMINISTRATION, ACCOMPANIED BY JOHN P. GIACOMINI, DIRECTOR, OFFICE OF MANAGEMENT

Mr. WHITFIELD. Thank you, Mr. Chairman.

I have a short statement, so if I may, I ask that it be inserted for the record; I will make a few brief comments and then respond to questions you may have.

We are proceeding from a budget of about $11.3 million to a projected budget of somewhat over $14 million and we recognize that we are looking at an increase of 21, 22 percent.

I would like to point out to you that we are concerned about what that may imply. About $500,000 we have little control over because this constitutes our GSA rent increase, and a little over $1.5 million of the total is the result of our activities with the harmonized code system; looking at it in 1984 about $511,000 and then $1.5 million in 1985 for the technical work and negotiations we will undertake to enter into the harmonized code system.

So while in terms of percentages it looks like a very large increase, some of the costs are one-time costs for the HCS, with the exception of the increased rent. I wanted to bring that to your attention, as I am sure your staff has, and indicate our concern about that as well.

Other than that, if you have questions, I will be glad to respond.

[The prepared statement follows:]

STATEMENT OF DENNIS E. WHITFIELD, ASSISTANT U.S. TRADE REPRESENTATIVE FOR ADMINISTRATION

Mr. Chairman, I am pleased to appear before you to present our resource needs for fiscal year 1985 and to respond to your questions. Ambassador Brock regrets that he cannot be here since he had a commitment out of town. With me is our Assistant United States Trade Representative for Congressional Relations, Bill Maroni, the Assistant United States Trade for GATT Affairs, Doug Newkirk, and the Director of Our Office of Management, John Giacomini.

Since last year, we have had several organizational changes which I believe most of you are aware of—we now have two deputies in Washington, Ambassador Michael B. Smith who is responsible for bilateral and multilateral activities and Ambassador Robert Lighthizer who is responsible for sectoral activities. Ambassador Peter Murphy now heads our Geneva Office while Richards Imus is our New Chief Textile Negotiator.

The President's budget and the resource request which we submitted to you contain several items which I would like to explain briefly.

Our current fiscal year 1984 appropriation does not include two supplemental requests. One is for a pay supplemental of $128,000 to cover the recent raise legislated by Congress and medicare costs. The other supplemental request of $511,000 would provide funds essential for the initial stages of implementation of the harmonized code system or HCS. I believe most of you are acquainted with the goal of the HCS—a new international Tariff Schedule which will facilitate international trade

transactions. It is an enormous, complex undertaking, and involves interagency coordination as well as intensive negotiations and planning with other nations. The four phases of the administration's work program are: line-by-line review of the ITC's proposed conversion of U.S. Tariff Schedules, data preparation to support negotiations and review of foreign conversions, negotiations in Geneva and largely through the GATT, and congressional approval followed by implementation.

USTR is the lead agency for implementation, which we have scheduled for the first quarter of 1987. I would also like to point out that other agencies are cooperating and committing resources to this program, besides detailing individuals to work with us.

For fiscal year 1985, the actual increase over the 1984 base is $2,680,000. Of the total request, $1,534,000 is for the harmonized code for expenses at the peak of scheduled activities. Several significant items will be the transfer of personnel to Geneva, rental of office space and equipment, printing and reproduction of HCS materials, and computer equipment and programming tasks to provide a strong information base for international negotiations. The remainder of the request is designed to maintain an operating level similar to fiscal year 1984, and to accommodate general price level adjustments plus uncontrollable increases for essential expenses such as communications, rent, and printing.

Beginning in fiscal year 1983, we were allowed to operate under one ceiling of 133 permanent positions for a full time equivalent employment or "FTE" of 133 workyears. This gave us the flexibility to use our "FTE" in a manner which best suited our needs and to create greater stability among essential staff by converting selected positions to permanent status. For fiscal year 1984, we have 137 FTE's, and for fiscal year 1985 we are requesting one additional "FTE" for a total of 138. This will provide for a position to cover the development of HCS computer programs.

To supplement our permanent staff and to hold down personnel costs, we are continuing our successful, volunteer university intern program. Last fiscal year we had more than 280 applicants; we accepted 45 from seventeen different universities. This saved us salaries and related costs of more than $100,000. Other savings were effected by acquiring details on a nonreimbursable basis and by participating in an interagency "program pool" for specialized computer program needs.

We are using every means possible to increase productivity and managerial effectiveness with the resources we have been given. We are continuing to exercise tight control over expenditures especially for overtime, travel, and procurement, with our senior staff playing a direct role in this daily process. We have also complied fully with the requirements of the Federal Manager's Financial Integrity Act of 1982 by submitting positive reports both to the President and to the Congress on internal accounting and administrative controls.

A summary of our resource needs is attached to this statement. Any reduction will seriously affect our capability to do the job assigned to us.

Mr. Chairman, we believe that our request is a very reasonable one and reflects budget constraint even with continually rising workloads. With the requested resources we will be able to implement our schedule for the harmonized code system and to pursue the commitment of the administration and the Congress to economic growth and a strong economy.

I would be pleased to respond to your questions.

Thank you.

OFFICE OF THE U.S. TRADE REPRESENTATIVE: SUMMARY AND DESCRIPTION OF REQUIREMENTS BY OBJECT CLASS

[Dollar amount in thousands]

Salaries and expenses	1984 appropriations		1985 estimate		Inc. (+) or Dec. (—)	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Full-time permanent positions	121	$4,984	122	$5,531	+1	+$547
Positions other than full-time permanent (1040s, intermittents, part-time consultants, driver-messengers for Geneva)		600		303		—297
Other personnel compensation (overtime, differentials, SES bonuses, merit increases)		167		233		+66
Special personal services payments (reimbursable details)		921		988		+67
Total personnel compensation	121	6,672	122	7,055	+1	+383

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OFFICE OF THE U.S. TRADE REPRESENTATIVE SUMMARY AND DESCRIPTION OF REQUIREMENTS BY OBJECT CLASS—Continued

[Dollar amount in thousands]

Salaries and expenses	1984 appropriations		1985 estimate		Inc. (+) or Dec. (−)	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Personnel benefits (health, retirement, insurance, allowances)		$718		$1,018		+$300
Travel and transportation of persons (travel, per diem, miccellaneous expenses)		876		1,156		+280
Transportation of things (transport of household and personal effects to Geneva; U.S. storage of goods)		36		147		+111
Standard level user charges (rent for office space in Washington)		706		1,152		+446
Communications, utilities and other rent (office and residence rents—Geneva, utilities, Xerox, telephone, postage, teletype, computer time)		835		1,160		+325
Printing and reproduction (Federal Register, stationery, forms, reports)		156		336		+180
Other services (administrative support—Geneva, personnel and vendor contracts and office machine maintenance, transcribing and translation services, career development, clearances)		1,066		1,550		+484
Representation		60		68		+8
Supplies and materials (office supplies, computer expendables, supplies)		160		149		−11
Equipment (office equipment D.C. and Geneva, computer hardware and software)		214		388		+174
Total requirements		[1] 11,499		14,179		+2,680

[1] Includes pay supplemental of $128,000.

Chairman GIBBONS. Thank you.

I don't have any questions. I think your budget is modest and appropriate. You have one big bump in there for people who work on the new international Harmonized Code System. What is it?

Mr. WHITFIELD. We have allotted $511,000 for this year and $1.5 million for the next. We estimate that as we wind up this week in 1986, the cost will be somewhere around $1 million. Then that would be it.

Chairman GIBBONS. When do you think we will get to the Harmonized Code?

Mr. WHITFIELD. We will be sending the first staff people to Geneva this year, and their work will continue through 1985 and into 1986.

Chairman GIBBONS. When will you be sending it to Congress, maybe?

Mr. WHITFIELD. As early as 1985.

Chairman GIBBONS. Thank you.

Mr. Schulze.

Mr. SCHULZE. Mr. Chairman, I just have a question or two about that system.

It seems we did have a gentleman here from England a year or so ago, Mr. Chairman, to discuss that, but I don't know that we have ever gone into it in more depth. I wonder whether the committee could not look very closely and try to make a preliminary decision as to whether we feel that is heading in the right direction before we expend a lot of money, and then make a decision as to whether we want to participate in that type of system.

It seems to me it would be a tremendous waste if we spend all this money and then decide we don't like it or do not wish to participate, or it is going to cause too many problems. So I don't know whether I have a question as much as a statement that we ought to give you a little more guidance as to where we are going in that direction before we expend that kind of money. End of statement.

Thank you, Mr. Chairman.

Chairman GIBBONS. Mr. Frenzel.

Mr. FRENZEL. Mr. Chairman, I have a little question about the Harmonization Code, too.

Obviously it is going to happen, and we have to be part of it, I think. We have spent a fair amount of time and effort in preparing for it.

My question is, How you are going to present it to the Congress, because obviously it is a decision in which we must participate, either through affirmation or through joint effort. We don't know if you are coming at us with a fast-track proposal, a whole new law, or whether you are going to try to slip it in through other ways, which I would advise you not to do.

You obviously don't have any negotiating authority left except for NTB's and MPM's, I guess we now call them. Do you have any idea or policy as to how you are going to proceed with this matter?

Mr. WHITFIELD. Congressman, none at this time. We have been dealing with this issue since 1970 and trying to make preparations. It was the 1974 Trade Act that required our full and immediate participation. Since it is going to be treated as an international trade agreement, then the USTR, in terms of negotiating and working out the details, will be involved.

In terms of a specific strategy or proposal, we don't have one now. It is something that in the next several weeks and months we want to work out with you and your staffs to come up with what is the best way to present this, and how to handle it.

Mr. FRENZEL. Thank you.

That is, of course, what I was trying to suggest; that you keep your friends as closely advised as is possible, or else you may find they aren't friends anymore.

Thank you.

Chairman GIBBONS. Mr. Whitfield, I have got some doubts about the wisdom of the USTR's position on some Customs regulations, section 133.21. I understand you are trying to reverse a 50-year old position over there at Customs. I hope that you will take this as a word to the wise. Anything that has been a regulation that long, don't reverse it. Bring it to Congress before you try to get it changed.

I have got to submit some written questions to you and request that you respond to those for the record, but I won't go into them now.

Thank you very much.

Mr. WHITFIELD. Thank you, Mr. Chairman.

Chairman GIBBONS. That is all. Thank you very much.

U.S. Department of Commerce, Olin Wethington, Deputy Under Secretary for International Trade Administration.

Mr. Wethington, you can proceed as you wish.

STATEMENT OF OLIN L. WETHINGTON, DEPUTY UNDER SECRETARY FOR INTERNATIONAL TRADE, U.S. DEPARTMENT OF COMMERCE, ACCOMPANIED BY PAUL VOORHEES, DIRECTOR, OFFICE OF FINANCIAL MANAGEMENT, INTERNATIONAL TRADE ADMINISTRATION

Mr. WETHINGTON. Thank you, Mr. Chairman.

I have a statement I would submit for the record.

Chairman GIBBONS. It will be included in the record in its entirety.

Mr. WETHINGTON. I think the administration's fiscal year 1985 appropriations request reflects this administration's continuing commitment to expanding opportunities for U.S. business abroad. Essentially, with one significant exception which we have sought to have deleted for the last several years, this budget not only maintains the base but has two significant increases in it which are reflective I think of the administration's continuing effort to improve the competitive posture of U.S. industry.

I would like to just take a minute or two to highlight those two important increase requests. One is in the area of trade administration. This is pursuant to our responsibilities to administer and enforce the Export Administration Act. It is a request for $9.5 million and 134 additional positions. This increase is spread over the export administration area and enforcement area.

In the area of administration, we are seeking to apply this increase in two significant areas. The first is in the area of distribution licenses which for many of our most competitive companies in this country are terribly important. There is a significant amount of commerce, which passes through this form of license. It is essentially a bulk license to the free world and in the past we have not adequately devoted resources to efficiently and effectively process distribution license applications nor to doing responsible audits.

The second major area is accounting for foreign availability in licensing. We are, I think, for the first time seeking to take seriously the provision in the Export Administration Act which requires us to incorporate into our licensing considerations decisions as to foreign availability.

I can't overemphasize enough the importance to our Nation's commerce and our foreign trade of effective administration of this act. Five years ago a mere $16 billion in trade passed through our licensing process. But in 1983, we estimate approximately $63 billion went over our border, roughly a third of the total exports from this country. So in that context, we are seeking to take seriously our requirements under the act, and our request is pursuant to that responsibility.

Second in the area of trade development, we are seeking roughly 63 new positions and about $3.2 million for new sectoral analysis. The Department of Commerce, I think, is unique in the Federal Government in that it is really the only place where there is under one roof expertise across the broad range of U.S. industries.

We are seeking to strengthen that expertise. We have taken recent steps to consolidate our industry related experts within the International Trade Administration, and the additional positions that we are requesting, we think, will give us additional needed ca-

pacity, capacity that will permit us to do a better job of understanding the competitive posture of U.S. industries and a better job of anticipating and identifying market opportunities abroad for U.S. business.

Let me stop there, and I will be glad to answer your questions, Mr. Chairman.

[The prepared statement follows:]

STATEMENT OF OLIN L. WETHINGTON, DEPUTY UNDER SECRETARY FOR INTERNATIONAL TRADE, U.S. DEPARTMENT OF COMMERCE

Mr. Chairman and members of the Committee. I am pleased to appear before you to discuss the International Trade Administration's fiscal year 1985 appropriations request. We are seeking $172,948,000 and 2,815 positions.

Our budget request reflects this Administration's continuing commitment to expanding market opportunities for American business abroad, to improving the competitive posture of U.S. industry in global markets and to effectively and responsibly administering our trade laws and regulations. The importance of international trade to the well-being of our national economy will continue to grow. We therefore should assure the institutional resources necessary to meet our national objectives of free and fair trade.

The amount requested for 1985 includes program increases for Trade Administration of $9,500,000 and 134 positions and Sectoral Analysis of $3,257,000 and 63 positions. Also included are transfers and pricing adjustments of $19,298,000 and 166 additional positions and decreases totalling $26,500,000 and 28 positions.

The programs operated by the International Trade Administration are grouped into four activity areas: Trade Administration; Trade Development; International Economic Policy; and the U.S. and Foreign Commercial Services. I would like to make several brief points about each area, but will focus on the two areas where we have requested budgetary increases.

TRADE ADMINISTRATION

For Trade Administration activity, we are requesting $34,030,000 and 627 positions, an increase of $9,500,000 and 134 positions over the 1985 base. Of the increased amount, $5,913,000 and 60 positions are for Export Administration. The balance of the increase, $3,587,000 and 74 positions, are requested for Export Enforcement. These resources are necessary to responsibly carry out our obligations under the Export Administration Act. The renewal of the Export Administration Act has attracted enormous attention over the last year in the Congress and in the business community. In 1981 we inherited a program that was in shambles. Over the last three years we have made important gains in improving its effectiveness. This would not have been possible without the support of many in the Congress, the Administration, and the business community. The requested 1985 increase will be used in areas where we have not yet devoted adequate resources, the distribution license program, support functions (i.e., COCOM and MCTL), foreign availability program and continued development of ITA's computerized license tracking and management system. An expanded enforcement program is necessary to stem the illegal export of American technology affecting national security. This increase will be used to upgrade and strengthen existing field offices, to open new offices where high technology manufacturing and exporting activities exist, and to strengthen the intelligence division at headquarters.

In addition to national security and foreign policy controls, Trade Administration is responsible for a number of other programs which regulate the flow of trade both into and out of the United States. It administers short supply regulations, the antiboycott program, and the industrial resources program which includes responsibilities under the Defense Production Act, the Stockpile Act, and Section 232 national security import cases. It conducts antidumping and countervailing duty programs to protect U.S. industry from injury due to sales of foreign goods at prices below fair value, and foreign government subsidization of imports into the United States. For these programs we are requesting that our 1985 base be maintained.

TRADE DEVELOPMENT

For the Trade Development area, we are requesting $29,182,000 and 546 positions, a net decrease of $21,743,000 in appropriated funds and an increase of 35 positions

from the 1985 base. The proposed net decrease is the result of an increase for Sectoral Analysis and the elimination of the Trade Adjustment Assistance program. A proposed increase of $3,257,000 and 63 positions will complete the upgrading of sector analysis programs which began with the realignment of ITA in 1982 and the transfer of important industry monitoring and analysis functions from the Under Secretary for Economic Affairs to ITA earlier this year. It will assure that an adequate sectoral analysis staff is available to support the Department's industry-related activities. The additional resources will also be used to expand data on foreign industries and to increase analysis of international economic issues that affect U.S. industry. A decrease of 28 positions and $25,000,000 is proposed as a resulting of eliminating the Trade Adjustment Assistance (TTA) program. Overall, the TAA program has failed to achieve its intended purposes. High default rates and arrearages indicate the program has not been effective.

INTERNATIONAL ECONOMIC POLICY

For our responsibilities under the Assistant Secretary for International Economic Policy, we are requesting $9,974,000 and 199 permanent positions. Our responsibilities in the area are to contribute to the development of regional and multilateral economic policies which enhance U.S. trade and investment interests; provide marketing services which will further U.S. market access abroad; and develop remedial strategies applicable to long term trade and investment problems.

The International Economic Policy area (IEP) is organized on a regional basis with policy, analytical, and marketing functions combined for individual countries.

Through its Office of Multilateral Affairs, IEP assists interagency implementation of the GATT Agreements and participates in developing USG policies in the OECD and UNCTAD. IEP, working with the Foreign Commercial Service and other parts of ITA, fulfills the Commerce Department's responsibilities for monitoring foreign compliance with the MTN codes. In addition, we work closely with the USTR, through the interagency process, on GATT policy matters.

U.S. AND FOREIGN COMMERCIAL SERVICES

For our U.S. and Foreign Commercial Services activity we are requesting $74,117,000 and 1,269 positions. This includes a proposed reduction of $1,500,000 as a result of completing the development of the Automated Information Transfer System. The U.S. and Foreign Commercial Services promote the growth of U.S. exports through delivery of services at sites convenient to the business community in the United States and in overseas markets. These sites include 48 District Offices in the United States and 124 posts in key export markets in 68 countries throughout the world. We have made substantial improvement over the last three years in enhancing the quality of our personnel and business services.

ADMINISTRATION

Finally, we are requesting $25,645,000 and 174 positions to provide administrative management services that support ITA program areas. This amount also funds centrally budgeted items such as office space, rental payments to GSA, telephone payments, and Working Capital Fund payments to the Department.

ITA is also requesting approval for two reprogramming actions.

ITA proposes to consolidate its revenue producing activities that are currently part of the Trade Development activity with those that are currently part of the U.S. and Foreign Commercial Services into one office under the USFCS. This will eliminate overlapping responsibility for trade promotion events and information products, resulting in better coordination of policy objectives and a more direct line of authority and responsibility. A reprogramming notification is being prepared to implement this business manager approach to revenue producing activities and will be submitted to the Congress shortly.

The second 1984 reprogramming will be proposed to use 1983 unobligated funds for a one-time augmentation of Export Administration and Export Enforcement programs in anticipation of 1985 proposed increases. A reprogramming notification is being prepared describing the 1984 plans.

Mr. Chairman, this concludes my prepared statement. I will be pleased to answer any questions you or the Committee may have.

Chairman GIBBONS. Well this member of the committee is not satisfied with a number of ways in which you have deployed your people overseas. We were in Czechoslovakia, a place that you

should have a good U.S. trade representative. And when we got there, there was only one commercial man on the whole staff, and we found out he was being withdrawn. It seems to me when you start losing sales, you don't fire the sales force. You perhaps augment it rather than withdrawing it.

We ran into other places where the Trade Administration people were being used as supersleuths to find out whether items that had previously been exported were still in the possession of the people that had them. I can imagine if I were a user of a U.S.-sold product and somebody from the U.S. Government walked into me in a foreign country and said, "Say, have you still got that widget we sold you a few years ago that we won't sell you any spare parts for?" Or "have you transferred it to some other place?"

I would tell you, "Well, go to hell and get out of this office, and I will never buy any more of your junk." But anybody who would do that doesn't have enough integrity to be running a business.

I am very dissatisfied with the way Commerce is exercising its functions. Let me warn you, if you all fall behind in your duty in meeting these countervailing duty and dumping laws that you have to enforce, we are going to snatch that right out of your hands, just like we did in Treasury, and abolish the function and finally put it in somebody's hands that will carry it out.

So far you are doing pretty well. But I can't see how you can get along on the budget that you have outlined for yourselves with the way cases are increasing. If there is a backlog over there, we are not going to come to you and say "Why is there a backlog?" We are going to come to you and say, "You don't have that function anymore. We are going to put it in another agency of government," even if it is independent of the executive branch. There is just not going to be any more sloppy administration of these unfair trade laws like Treasury fostered on us for about 25 years around here.

Mr. WETHINGTON. Let me respond to that, if I might, Mr. Chairman.

Chairman GIBBONS. Sure.

Mr. WETHINGTON. I think if you are dissatisfied with our stewardship of our resources under the FCS and antidumping/countervailing duty program, it is simply because we have not done as good a job as we might have explaining to you and to this committee what we actually are doing.

Let me make a few general comments.

Chairman GIBBONS. I am not worried about what you are actually doing. I am worried about the backlog. I am not looking at the quality of your work. The litigants will decide the quality of your work and the courts will decide the quality of your work. But there just better not be any backlog.

Mr. WETHINGTON. Let me respond to that. You have raised three or four points which, if I may, I would like to comment on.

But let me deal first with the antidumping/countervailing duty. Our heaviest caseload of countervailing duty cases, antidumping, was in 1982. There were about 210, 211 cases filed. We initiated about 196 cases. Last year, that number, 196, dropped to somewhere in the fifties. About 50-some cases were initiated, which was about one-quarter of the number of cases initiated in the previous year. That is a significant decrease.

We think with existing resources we adequately handled and met every single statutory deadline last year. We adequately handled those cases. We anticipate, this is our estimate for 1984, and we have no way of knowing at this time whether it will be borne out, but even if the number of cases doubles from 1983 to 1984, that will still be half of the number of cases that ITA processed in 1982.

So we think in terms of investigation responsibilities that we do have adequate resources and that the request to maintain our base will enable us to do the job.

Now in the compliance area, which may be the area you are referring to more specifically, we do have frankly some backlog. Our budget request maintains the level of resources that we have had in that program for several years. Part of that backlog, however, is, if you will, a kind of structural problem in the sense that there is inevitably, because of the way businesses and governments compile and report data, a lag in terms of our ability to complete the annual reviews within the 1-year time frame.

I don't know, frankly, what the solution to that is. I am not sure it is simply additional resources. We think that in 1984 we can reduce the backlog with existing resources down to the point where the so-called structural deficit begins. I think beyond that, if we are talking about some kind of long-term solution, frankly, I think what we may be talking about is simply a change in the statutory requirement that requires us on an annual basis now to do reviews on some 170 outstanding orders, many of which the parties no longer have interest in.

We estimate only about half of those orders are meaningful in the sense the parties still retain a significant interest in them. It may be that the kind of provision, Mr. Chairman, that is in your bill, provision that would require ITA to do those reviews only upon request of the parties, the petitioners, may be the long-term solution.

But in terms of resources, I think we can eliminate the backlog in 1984 with existing resources, and what we ought to be doing is looking beyond that to a longer term and more permanent fix to the problem.

Chairman GIBBONS. Well, I am going to ask our staff to keep track of all the backlogs that we have in your agency and in the ITC. If we detect any increase in these backlogs, and not a substantial reduction of them, we are going to have a hearing that is designed to snatch this jurisdiction away from Commerce or the ITC or any agency charged with the enforcement of these laws and put it someplace where we have got better control of it.

I don't know whether it is personnel policy of the administrative branch, or whether it is the budget policy of the administrative branch. But there is just no excuse for these backlogs.

Mr. WETHINGTON. I can assure you they will be substantially reduced in 1984. There will, however, as I said, remain inevitably because of the way in which records are kept, a structural, if you will, backlog. But that is in our estimate less than half of the current backlog, and we will in 1984 eliminate the backlog to the extent that it is within our power to do so.

Again, on the investigations side, I would note again that we have met every single statutory deadline from the last 3 years.

Chairman GIBBONS. Mr. Schulze.

Mr. SCHULZE. Thank you, Mr. Chairman.

Mr. Secretary, do you have a line chart or table of organization of all the trade functions in Commerce?

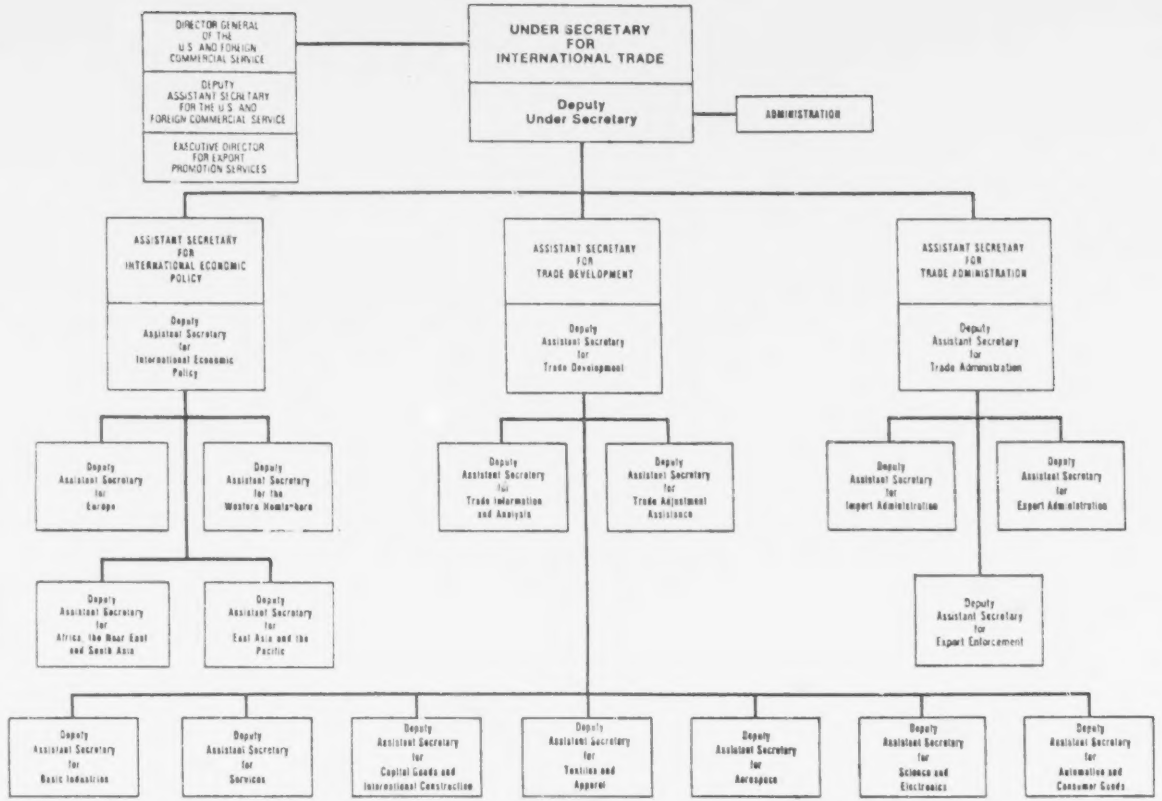
Mr. WETHINGTON. We do. I don't have it with me. However, I can provide that to you.

Mr. SCHULZE. If you would send me a copy of that, I would appreciate it very much.

Mr. WETHINGTON. I will be glad to.

[The information follows:]

DEPARTMENT OF COMMERCE
International Trade Administration


DIRECTOR GENERAL OF THE U.S. AND FOREIGN COMMERCIAL SERVICE
DEPUTY ASSISTANT SECRETARY FOR THE U.S. AND FOREIGN COMMERCIAL SERVICE
EXECUTIVE DIRECTOR FOR EXPORT PROMOTION SERVICES
UNDER SECRETARY FOR INTERNATIONAL TRADE
Deputy Under Secretary
ADMINISTRATION
ASSISTANT SECRETARY FOR INTERNATIONAL ECONOMIC POLICY
Deputy Assistant Secretary for International Economic Policy
ASSISTANT SECRETARY FOR TRADE DEVELOPMENT
Deputy Assistant Secretary for Trade Development
ASSISTANT SECRETARY FOR TRADE ADMINISTRATION
Deputy Assistant Secretary for Trade Administration
Deputy Assistant Secretary for Europe
Deputy Assistant Secretary for the Western Hemisphere
Deputy Assistant Secretary for Africa, the Near East and South Asia
Deputy Assistant Secretary for East Asia and the Pacific
Deputy Assistant Secretary for Trade Information and Analysis
Deputy Assistant Secretary for Trade Adjustment Assistance
Deputy Assistant Secretary for Import Administration
Deputy Assistant Secretary for Export Administration
Deputy Assistant Secretary for Export Enforcement
Deputy Assistant Secretary for Basic Industries
Deputy Assistant Secretary for Services
Deputy Assistant Secretary for Capital Goods and International Construction
Deputy Assistant Secretary for Textiles and Apparel
Deputy Assistant Secretary for Aerospace
Deputy Assistant Secretary for Science and Electronics
Deputy Assistant Secretary for Automotive and Consumer Goods

Mr. SCHULZE. I have been trying to get a handle on that for some time. I would appreciate it very much.

Mr. Secretary, in December the White House announced some additional measures to control imports of textiles and apparel. These measures involved the new criteria which are intended to help build a case for market disruption so there could be quotas put on more countries in a more rapid fashion.

I understand there is a great deal of interest in the White House in this new initiative, and certainly there is a great deal of interest in Congress. And we want to make sure that there are sufficient resources available to you to make sure that this program is implemented, and implemented properly.

My question is whether in your opinion you will have sufficient resources and personnel to ensure that this program will be implemented efficiently, promptly, and in a rapid fashion.

Mr. WETHINGTON. The answer to your question is yes. We are confident that we have adequate resources for 1984. In 1985, there will be no reduction in the existing resources that we now devote to monitoring and to implementing our responsibilities under MFA and other areas. No reduction.

Chairman GIBBONS. Mr. Pease.

Mr. PEASE. Thank you, Mr. Chairman.

Sir, I noticed in your statement and also the budget presentation last week that you are proposing the elimination of the trade adjustment assistance program for firms. Can you tell us why that recommendation is being made?

Mr. WETHINGTON. Yes, sir, it is our view that the program has not fulfilled its purpose. The program has resulted in roughly two-thirds of the loans and loan guarantees that we have made—this is historically speaking—being either delinquent, in liquidation or written off, which is an indication to us that the purposes of the program have not been satisfied, that the companies which have been the recipients of this money historically have not in fact been able to make significant adjustment, because, as I said, roughly two-thirds of those loans have proven to be in trouble.

Beyond that, however, it is our view that it is the marketplace, which in the final analysis, is the appropriate means for significant adjustment in our economy. I know of no evidence to indicate that the economy as a whole is not capable of providing that adjustment, that the marketplace is not adequate.

The percentage of GNP in our economy which is comprised of the output from manufactured industries has remained roughly constant over the last two decades. We have not, I think, deindustrialized in any meaningful sense. Rather, the economy has shown just the opposite: the ability to make the transition to even greater value added industries. I think it is to that mechanism we seek to look for meaningful adjustment on the part of industry.

Mr. PEASE. Mr. Wethington, until a few years ago, the trade adjustment assistance program for firms was administered by EDA, was it not?

Mr. WETHINGTON. That is correct.

Mr. PEASE. When was that change made?

Mr. WETHINGTON. September 21, 1981.

Mr. PEASE. You referred repeatedly in your response to historical experience with the TAA program. Could you differentiate between the experience with the program prior to September 1981 and subsequent to September 1981 since it has been under your jurisdiction?

Mr. WETHINGTON. Well, we think we have made some new, and I think responsible, steps forward in the administration of those funds. For instance, we are now requiring personal guarantees by the borrower that the loans be fully collateralized. But I don't think we have the record yet to say with certainty, because we are talking about, in many cases 7- to 10-year loan guarantees, that our experience will be any different.

In fact, I don't think there has been any decrease over the last year and a half in the number of loans that have been written off or that are newly entering into liquidation.

Mr. PEASE. Mr. Wethington, how many loans have you made under the TAA program since Commerce took over its administration?

Mr. WETHINGTON. If you include EDA——

Mr. PEASE. No, not EDA. How many since ITA has taken over?

Mr. WETHINGTON. Forty-three, sir.

Mr. PEASE. How many?

Mr. WETHINGTON. Forty-three.

Mr. PEASE. Forty-three.

Of that number, how many defaults have there been?

Mr. WETHINGTON. Two.

Mr. PEASE. Two.

Mr. WETHINGTON. Yes, sir.

Mr. PEASE. How many delinquencies are there?

Mr. WETHINGTON. Two, two additional.

Mr. PEASE. Two.

Mr. Wethington, if I were to analyze that record, 43 loans to firms that were by definition in trouble because of import penetration, and yet in 2½ years you have had two defaults and only two delinquencies, I would say that is a pretty good record, wouldn't you?

Mr. WETHINGTON. That is a pretty good record perhaps if it was reflective of the total life of those loans. As I said, the loans are in many cases from 5 to 7 to 10 years, and we simply don't know at this stage what the record at the end of that time will show. But we have no reason now to expect, I think, that the results will be any different than they have historically been.

Mr. PEASE. Mr. Wethington, I think I have two comments. One is that you are entirely too modest about the accomplishments of the ITA in improving the administration of the TAA firm program. There have indeed been significant improvements since September 1981, yet you seem to denegrate those improvements.

Second, I am wondering how much your recommendation to kill this program derives from historical experience, as you call it, and how much of it derives from philosophy, your devotion to the marketplace, and to a belief that the government doesn't really have a role in helping firms that are disadvantaged by imports.

Mr. WETHINGTON. Both I think are significant factors. We have—there are a number of avenues that firms impacted by imports can

pursue: unfair practice statutues, statutes which permit determinations based on industry. But as far as the adjustment process is concerned, I think both the record and the philosophical point of view are interrelated. I mean, if a record could be built that the adjustment program has been proven effective, maybe that would make some difference. But the record simply, I would submit, is not there. Both are very significant factors.

Mr. PEASE. Mr. Wethington, could I ask you to submit for the record the pattern of delinquencies and defaults under the TAA program when it was administered by EDA in comparison with the administration since it has been administered by ITA? And, in particular, the record of defaults and delinquencies in TAA loans in their first, say, 15 months under EDA, first 15 months of any loan, so that we can compare that record with the two defaults and two delinquencies out of 43 loans in the first 15 months of administration under ITA.

Mr. WETHINGTON. I would be glad to submit that, sir.

[The information follows:]

COMPARISON OF ITA AND EDA TRADE ADJUSTMENT ASSISTANCE PROGRAM

The first table shows the number of frims which have received financial assistance under this Program during the first 15 month period for both EDA (April 1975–July 1976) and ITA (Oct. 1981–Jan. 1983), and their experience during those periods.

	Number of firms	
	EDA [1]	ITA [2]
Number of firms assisted	8	12
Awaiting closing	3	4
Current	4	7
Past due	1	0
In liquidation	0	1
Liquidated	0	0

[1] Represents 10 loans and/or loan guarantees to 8 firms.
[2] Represents 17 loans and/or loan guarantees to 12 firms.

The second table shows the number of firms which have received financial assistance under this Program during the first two years and four months of the program for both EDA (April 1975–August 1977) and ITA (Oct. 1981–Jan. 1984), and their experience during those periods.

	Number of firms	
	EDA [1]	ITA [2]
Number of firms assisted	23	29
Awaiting closing	3	11
Current	17	14
Past due	2	2
In liquidation	0	0
Liquidated	1	2

[1] Represents 35 loans and/or loan guarantees to 23 firms.
[2] Represents 43 loans and/or loan guarantees to 29 firms.

Mr. PEASE. Mr. Wethington, I understand the philosophical position of this administration. But I would call to your attention that Congress set up this TAA program for firms, made a deliberate decision to do so, in order to provide some assistance for firms which are hurt by a deliberate U.S. Government policy of easing trade restrictions.

And I would point out to you that only 5 months ago Congress made a conscious decision to reauthorize that program. I would hope that you would rethink your position in trying to kill a program Congress reauthorized not 5 months ago.

Mr. WETHINGTON. Although we object to the basic notion of the program, I take your points. We are seeking, I would stress, even within that context to administer what Congress has requested of us in a responsible manner. And I take your point, sir.

Mr. PEASE. Thank you.

Chairman GIBBONS. Thank you.

Mr. Frenzel.

Mr. FRENZEL. Thank you, Mr. Chairman. Thank you for your testimony, Mr. Secretary.

I have got some concerns about the FCS, too, that bother me somewhat. I was with Mr. Gibbons on a trip through central Europe at which time we found that at least in one country, the one American national serving the FCS was spending a good deal of his time playing detective on shipments that were allegedly being diverted or some technology leak allegations.

And in addition, a great deal of the time of the foreign nationals employed in the FCS was diverted to the same use. I can recall when this subcommittee under the—rather when a task force under the leadership of our colleague, Jim Jones, worked out with the administration then in office the details of the FCS. It was our hope that this group would try to stimulate exports of American companies abroad and American commercial enterprise abroad and that it would not be some sort of a police force.

To tell you the truth, I am terribly disappointed that Commerce is not trying to promote sales, but rather is looking for ways to disrupt sales. I have communicated my disappointment to others in your organization. I would like to know what you perceive is the future of the FCS. Are you going to help us export or raise barriers?

Mr. WETHINGTON. We are trying our level best, sir, to help U.S. business export. It simply isn't, to my knowledge, the case that our FSC officers are in the field playing detective. There is one area where they do support our efforts to administer the export control process. But that is not an investigatory function. It is what is referred to as prelicense and postlicense checks which involve, in some limited cases, our personnel overseas in assessing the nature and background of the company.

But it is not pursuant to any investigation. It is not intended to pursue any allegations or suspicion of export violations but is directed toward the bona fides, if you will, of particular companies. This is very limited. We estimate that we are now devoting only about 8 to 9 man-years of time in the FCS set against over 700 staff in the field, which is roughly 1 percent, maybe 2 percent at the most, in terms of time devoted to this function.

But I think it would be a mistake to view the export function and even this limited function as mutually exclusive. Some of these prelicense and postlicense checks actually serve to facilitate trade, because it is our way of trying as effectively and efficiently as possible to determine whether the consignee on the other side of the ocean is a legitimate one. And we are seeking, where it is appropriate, to expedite that process, as well as in some cases to pinpoint sources of possible diversion. It is a very limited function, sir.

Mr. FRENZEL. I thank you for the explanation, and I hope that is indeed the policy of the Department. Obviously, you have an important job of enforcement. But you have a different section of your Department to do that. If you need more money, I think we would be glad to help try to beef up that enforcement.

I must tell you that although I believe the FCS is making progress, I don't think any of the businessmen in the area that I recently visited are thinking that this kind of thing is facilitating their trade. I think they are looking on it as a discouragement.

I would certainly suggest that you make it clear to your employees that they are there to improve U.S. exports and to improve U.S. trade. And nobody will ever be bothered with a percent or two of checking or preclearance or whatever you need to do as long as these people remember their main chores.

I have one other question which you may want to answer later for the record. It deals with the question of, in dumping cases, where occasionally your department expands the scope of review. Normally, parties to the case have access, and are able to respond to the broadening by having access to your methodology and criteria which are used. And they can submit information in that process.

I think there is some question that when you do broaden the scope of review, whether the parties have the proper access and have the opportunity to submit information. I think that information should be available and how your workings should be disclosed, and I would like to have you comment for the record later if that is something that probably is—you will want to look at before you respond.

Mr. WETHINGTON. I would be glad to do that, sir.

[No further information was received.]

Mr. FRENZEL. All right.

Mr. WETHINGTON. If I could comment on your previous question. We are, I would note, in fact, Congressman, requesting additional funding for the export enforcement area. This is completely outside of the FCS. But we have requested an additional 74 positions in fiscal year 1985.

Mr. FRENZEL. Thank you very much.

Chairman GIBBONS. Mr. Archer.

Mr. ARCHER. I have no questions.

Chairman GIBBONS. Mr. Pease.

Mr. PEASE. Thank you, Mr. Chairman.

Mr. Wethington, I would like to see if I can pin you down to a timetable for supplying the information that I requested earlier about the TAA program. You agreed to supply that for the record. How much time do you think it would take you to do that?

Mr. WETHINGTON. I can give it to you before the week is out, sir.

Mr. PEASE. Good.

Would you also provide a copy directly to me?

Mr. WETHINGTON. Yes, sir.

Mr. PEASE. Thank you very much.

Chairman GIBBONS. Mr. Jenkins of our subcommittee has a few questions he will submit in writing. We would ask you to respond to them.

Mr. WETHINGTON. I would be glad to respond.

[The questions and answers follow:]

Question. Several years ago a special appropriation of funds was earmarked for the Office of Textiles at the Commerce Department to be used in computer acquisition and development work to monitor imports. I understand that those funds were supposed to have carried the project through fiscal year 1984. Could you tell us the status of the project; whether those funds have been expended; whether additional funding is needed to carry out this very important monitoring of textile and apparel imports?

Answer. Status of Project:

The project known as the Textile Information Management System (TIMS), has been operational since 1979. It is instrumental in implementing our bilateral textile and apparel import restraint agreements with 27 countries. The system is used to monitor imports, reconcile statistical differences with bilateral partners and identify fraudulent shipments. We are building a domestic data base as part of the TIMS which will enable us to more accurately and rapidly determine the extent of domestic market disruption caused by imports of textile products.

Funding: Of the original appropriation of $2.4 million made in October 1978, we have expended just over $2 million through fiscal year 1983. The remaining balance is sufficient to operate through fiscal year 1984. We are currently examining possible sources of funding needed to maintain this program in fiscal year 1985 and beyond. In fiscal year 1985 we will need $523,000 and anticipate about $450,000 for each succeeding year.

Question. In the past the Commerce Department's Textile Office has done some very useful and important work promoting the export of U.S. textile and apparel products. I realize that the current over-valued dollar has caused some of our exports of these products to decline. Nonetheless, can you tell me how you plan to fund the textile and apparel export promotion program for the next fiscal year and whether enough funds are available to continue the program at its present level?

Answer. We have been using TAA funds to support the project costs of the export promotion program since 1979. These costs have been about $2.0 million annually. Funds available in fiscal year 1984 will be sufficient to carry out this year's program. The fiscal year 1985 funding for this program is currently in question. With TAA being proposed for elimination in fiscal year 1985, funds would no longer be forthcoming from this source. Other alternatives are currently being reviewed.

Chairman GIBBONS. Thank you very much.

Our next witness is from the U.S. Customs Service, Mr. Alfred R. De Angelus.

STATEMENT OF ALFRED R. DE ANGELUS, DEPUTY COMMISSIONER, U.S. CUSTOMS SERVICE, ACCOMPANIED BY EUGENE H. MACH, ASSISTANT COMMISSIONER (INSPECTION AND CONTROL); GEORGE C. CORCORAN, JR., ASSISTANCE COMMISSIONER (ENFORCEMENT); RICHARD H. ABBEY, CHIEF COUNSEL; WILLIAM H. RUSSELL, COMPTROLLER; MARGARET M. O'ROURKE, DIRECTOR, OFFICE OF TRADE OPERATIONS; C. WAYNE HAMILTON, ACTING DIRECTOR, OFFICE OF FINANCIAL MANAGEMENT AND PROGRAM ANALYSIS; AND JOHN P. SIMPSON, DIRECTOR, OFFICE OF REGULATIONS AND RULINGS

Mr. DE ANGELUS. Thank you.

I have with me Eugene H. Mach, Assistant Commissioner (Inspection and Control); Richard H. Abbey, Chief Counsel; William H.

Russell, Comptroller; Margaret M. O'Rourke, Director, Office of Trade Operations; C. Wayne Hamilton, Acting Director, Office of Financial Management and Program Analysis; and John P. Simpson, Director, Office of Regulations and Rulings.

With your permission, I would submit my lengthy statement.

Mr. Chairman, we appreciate this opportunity to appear before you today to present the fiscal year 1985 appropriations request to the U.S. Customs Service. We are requesting $602,405,000 and 12,369 direct average positions. This total includes $585,385,000 for our regular appropriation and $17,070,000 for operation and maintenance of Customs' air program. Our fiscal year 1985 appropriation request is $23,499,000 less than our requested level for fiscal year 1984.

In our fiscal year 1985 request we have included $16,994,000 for program enhancements and other initiatives. These are primarily for ongoing automation programs and protecting the communications of our law enforcement officers.

Also included is $35,134,000 for increases necessary to maintain current operating levels, and we have included program reductions of $75,627,000. As we stated on previous occasions, Customs continues to adhere to President Reagan's program for strengthened law enforcement and better management of Government resources.

Accordingly, Customs objectives are to implement the following: increased staff productivity by developing and implementing automated systems wherever possible and for all merchandise, revenue collection and enforcement processing; reduce administrative inefficiencies by consolidating functions and organizations, eliminating duplicative activities and unneeded paperwork and forms, and simplifying internal and external processing procedures; and strengthen overall enforcement efforts against all illegal activities for which Customs is responsible.

In fiscal year 1985 Customs is continuing on a high priority basis to press forward on long awaited and much needed reform of commercial practices. In essence, how we implement the Tarrif laws and process the vast quantity of imported merchandise. In meeting our goals of commercial processing, we are pushing forward determinedly with centralization, automation and streamlining of all applicable operations.

The initiatives in this budget emphasize development and implementation of the Customs automated commercial system which is the key program in this effort. Phase I of the system was completed in December, 1983 and was operational on February 1. This system, when fully implemented, will revolutionalize the way people we do business with Customs. It will speed up processing and reduce costs for both Customs and the international trade community.

Simplification of forms, paperwork and procedures will reinforce automation and help to speed up the cargo clearance process. We have underway a major process to consolidate our functions into a single computer center environment. We believe it will eventually permit us to dramatically improve Customs processing and implement new methods of collecting duties.

In regard to drug enforcement, fiscal year 1983 was a banner year. The President's drug strategy is working, and the amounts of

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heroin and cocaine we seized last year set new records. Heroin seizures reached 594 pounds, up 105 percent over the previous year. These results largely reflect intensified inspections at airports, especially in cargo, and development of improved inspectional techniques.

With regard to the cocaine situation, I am proud to commend Customs enforcement groups for outstanding results produced over the past 3 years. In fiscal year 1982, we seized 11,150 pounds of cocaine, an increase of more than 200 percent above the previous year. In fiscal year 1983, cocaine seizures reached 19,602 pounds, more than 400 percent above 1981 and 76 percent over 1982.

In terms of disruption of organized smuggling groups, we have taken off the streets $5.3 billion of cocaine sales and prevented those criminals from pocketing the profits.

Mr. Chairman, I must underscore that this success would not have been so great without the strong encouragement we have received from President Reagan through the Vice President.

Customs efforts against drug smugglers have only been a part of our law enforcement programs. President Reagan has also called on us to shut the door through which the Soviet Union is stealing American technology. The Customs Service has responded with a highly successful program we call "Operation EXODUS." This past year has seen us further perfect our investigating methods and bring more violators of U.S. export laws to justice. We recently concluded a spectacular investigation of an illegal technology transfer with a return from Germany and Sweden of two large shipments of highly advanced computers that would have given Soviet weapons a technology boost the West just cannot afford.

Although we are reducing our budget and work force, Customs remains committed to a strong enforcement posture to improve cost effectiveness and to better serve the American public through a more modern Customs Service.

Mr. Chairman, this concludes my introductory statement. I and my colleagues would be happy to answer any questions.

[The prepared statement follows:]

STATEMENT OF ALFRED R. DE ANGELUS, DEPUTY COMMISSIONER OF CUSTOMS

Mr. Chairman and Members of the Committee, we appreciate this opportunity to appear before you today to present the U.S. Customs Service fiscal year 1985 appropriation request of $602,405,000 and 12,369 direct average positions. Included in this total are $585,335,000 for "Salaries and Expenses" and $17,070,000 for "operations and maintenance" for the air program.

Customs overall fiscal year 1985 appropriation request represents a net decrease of $23,499,000 from the funds requested in fiscal year 1984. Included in the fiscal year 1985 consolidated authorization request is $16,994,000 for program enhancements and other initiatives, primarily for ongoing automation programs as well as for protecting the communications of our law enforcement officers, $35,134,000, for increases necessary to maintain current operating levels, and management efficiencies and non-recurring expenses of $75,627,000.

The efficiencies to be achieved in fiscal year 1985, represent improvements in commercial and enforcement activities as well as new approaches for achieving Customs mission. These programs, when fully developed and implemented, will improve staff productivity, streamline program operations, and enhance organizational and functional efficiency, and abolish duplicative activities. Many of the efficiencies result from our efforts to convert labor intensive functions to more automated processing. In total, these actions will permit the reduction of 923 direct positions and 954 average positions.

Major accomplishments

The Customs Service, once the main source of federal monies, still continues today to collect significant revenues as well as to assume the responsibility for interdicting drugs and other contraband attempting to illegally enter the country. Although the primary objective of the Tariff Act is the protection of American industry, revenue collections from its enforcement produced $9.9 billion in fiscal year 1983, representing a return of more than $17 for every appropriated dollar spent by Customs in carrying out its responsibilities.

As usual, Customs also had a busy year processing a heavy volume of traffic and trade generated by a growing international economy. The dedicated Customs workforce cleared some 283 million persons, 5.3 million merchandise entries, up 13 percent, and more than $246 billion in cargo entering the country. In addition, about 90 million vehicles, vessels, and aircraft were processed. Projections for fiscal year 1985 indicate renewed growth and a continuing heavy workload in the future.

As I stated on previous occasions, Customs will adhere to President Reagan's precepts of strengthened law enforcement and better management of government resources. Accordingly, Customs objectives are to implement the following:

Strengthen the overall enforcement efforts to combat those illegal activities that fall within Customs jurisdiction.

Increase staff productivity by developing and implementing automated systems, wherever possible, in all merchandise, revenue collection, and enforcement processing; and

Reduce administrative inefficiencies by consolidating functions and organizations, eliminating duplicative activities and unneeded paperwork and forms, and simplifying internal and external processing procedures.

Customs efforts directed toward strengthening law enforcement programs produced significant results in fiscal year 1983. Admittedly, smuggling continues as a significant national problem. We are still confronted with an illegal $100 billion industry and continual smuggling along all of our borders.

But I do have good news to report. Through the combined efforts of Customs and the Coast Guard marihuana and hashish seizures have been declining, probably reflecting some diminished usage and reduced smuggling. In contrast, Customs heroin and cocaine interceptions have set new records. Heroin seizures in fiscal year 1983 reached 594 pounds, up 105 percent from the previous year. The results largely reflect intensified inspections at airports, especially cargo, and the use of improved inspectional techniques.

With regard to the cocaine situation, I am proud to commend Customs enforcement groups for the outstanding results produced during the past three years. In fiscal year 1982, we seized 11,150 pounds of cocaine, an increase of more than 200 percent above the previous year. Now, in fiscal year 1983, the seizures has reached 19,602 pounds, more than 400 percent above fiscal year 1981 and 76 percent over fiscal year 1982. In terms of disruption of organized smuggling groups, we have taken off the streets $5.3 billion of cocaine sales and prevented these criminals from pocketing the profits.

Whenever we present this statistical record of our accomplishments, the usual retort is that it probably reflects increased cocaine smuggling. Admittedly, this is a factor. But also during this period Customs cocaine seizures have in fact jumped far more rapidly by a wide margin than the amount of cocaine estimated to be coming across our borders has increased. This is a significant improvement over earlier periods and one that should put a noticeable dent in the "take" of the smuggler.

These results, of course, largely reflect Secretary Regan's goal for Customs of raising law enforcement to our highest priority. The nation faces two major and dangerous problems at its borders. The first is massive drug smuggling, which has been with us for at least a generation and is now one of our major industries. This past year Customs successfully continued its enforcement efforts in the South Florida area where the major share of illegal narcotics activity is centered. Here also, huge sums of drug-related currency enter and leave the country daily to finance this deadly international traffic. At the same time, we were involved in the implementation of the Vice President directed NNBIS program along all our borders. Customs is the lead agency in several important areas along the border. Also, Customs has joined Mexican Customs in a unified anti-smuggling effort along the Southwest border.

The second problem involves critical technology illegally leaving the country. In line with President Reagan's call to block the illegal transfer of critical and high-technology equipment to Eastern-bloc countries, Customs has continued Operation EXODUS, a highly effective detection and investigative effort at major ports throughout the country. To achieve this goal, Customs has developed new approach-

es for surveillances; improved cargo inspections directed at uncovering these illegal equipment shipments, and improved intelligence efforts related to shipments and potential violators. These actions will improve results in fiscal year 1984 and also produce substantial savings in this program in fiscal year 1985.

The enforcement effort is now well on its way to achieving its objectives, and it will be reinforced with additional resources as needed. While enforcement is a top priority, today's Custom Service goals also include facilitation, and the reduction of the costs to the public and to the Government, of the processing of international trade. Facilitation of passenger and cargo processing is a high priority. We do not believe that every passenger, vehicle, piece of baggage, or cargo shipment must be searched. Since the vast majority of Customs transactions involve law abiding persons and firms, Customs officers will be directing their primary attention to "high-risk" passengers and cargo. It is clear to me that effective enforcement and efficient facilitation can go hand-in-hand, without contradiction or without diminishing our law enforcement.

Customs is now turning its attention on a high priority basis to the long-awaited and much needed reform of commercial practices; in essence, how we implement the tariff laws and how we process the vast quantity of imported merchandise. In meeting our goals in commercial processing, we are pushing forward determinedly with "centralization," "automation" and "streamlining" of all applicable operations. Centralization is a key to the new system. It is, in fact, almost upon us now, since only 20 locations process 70 percent of all formal entries. Although entries will continue to be filed at the ports as before, we intend to introduce a more selective review process. A noticeably faster turnaround is anticipated at most locations. Furthermore, centralization has several additional advantages. Automation is most cost-effective where large volume processing is concerned. Also, appraisement will be more uniform, records duplication will be minimized and, of course, administrative overhead will be reduced.

Simplification of forms, paperwork, and procedures will reinforce automation and help to speed up the cargo clearance process. We have underway a major project to consolidate our data processing functions into a single computer environment. We feel that this will eventually permit us to dramatically improve Customs import processing and to implement new methods of collecting duties.

At the heart of the automation effort, is the Automated Commercial System (ACS), for which programming was begun in July 1983. By the first of December, Customs was running a parallel operation in New Orleans. Today, in New Orleans, we have on-line a comprehensive data base with all the functions required for processing electronically transmitted or manually prepared entries. Therefore, the system can efficiently process any and all entries prepared by all of the Brokers. All revenue collected by Customs is processed through ACS, as is the preparation of a daily broker statement. Supplementary systems for processing Fines, Penalties, and Forfeitures (FP&F) and Bonded Warehouse Inventory (BWICS) are also completed. The latter is already operational nationally and the former is being pilot tested in two locations. In summary, ACS, comprises ten separate stand alone modules specifically directed to each of the major activities under the commercial system. Today, many of these systems are under development. When fully developed and implemented the system will provide improved management information, more efficient resource use, and increased responsiveness to the business community.

Fiscal year 1985 plans

The program accomplishments and activities described will continue to have a high priority in fiscal year 1984. Also, we anticipate equally good results in both the enforcement and commercial areas. In fiscal year 1985, Customs is planning major enhancements in ACS and its telecommunication system as well as providing its enforcement units with secure radio privacy. To accomplish these objectives, we are requesting a program increase of $16,994,000 in our fiscal year 1985 budget.

Automated commercial systems

The $8.8 million requested will allow Customs to continue to expedite development and implementation of the full-scale system needed to raise productivity and continue efficient service as the workload grows. When completed, ACS will support full selectivity, determining which imports should be intensively examined and those entries with potential classification changes and increased revenue. This enhancement will pay for itself in cost savings for Customs and the broker community. We are requesting $6.2 million for regional EDP equipment for linking field operations and the national computer. The remaining $2.6 million is needed for equip-

ment to raise the capacity of the system, additional terminals, and automated interface capabilities.

Integrated data telecommunications network

Currently, Customs has two independent telecommunications systems: one which supports the Treasury Enforcement Communications System (TECS) by providing essential information to support enforcement activities, and the other supports the Commercial and Administrative Systems associated with revenue processing. Since these networks were designed and developed separately, at different times with different missions in mind, they are largely imcompatible. In addition, both use technology that is now obsolete. While the updating of both systems will incorporate the latest technology, Customs will also consolidate both networks thereby reducing redundancy costs and improving operations. The $2.5 million requested will be used for the purchase of necessary modern telecommunications equipment such as minicomputers, packet switching equipment, telecommunications circuits and earth station antennas.

Radio voice privacy

Customs nationwide Radio VHF system is used extensively by enforcement personnel during convoys, surveillances, and for communicating with each other during enforcement missions. The system is an absolute necessity for Customs personnel operating in remote or dangerous areas, as it often represents their only means of calling for assistance. However, we have strong indications that unauthorized monitoring of Customs radio communications is occurring, placing officers' lives and the success of operations in jeopardy. The $5,694,000 million requested will be used to implement an initial radio voice privacy system and for the purchase of mobile and portable radios, base stations, repeaters and encoders.

Proposed efficiencies in fiscal year 1985

In order to meet the cost of these new initiatives, Customs is proposing several measures to provide savings in fiscal year 1985 in its EXODUS, Operation Florida, and Air Interdiction passenger processing programs. These improvements, management efficiencies and new approaches will enhance the effectiveness of the enforcement effort.

As part of our introduction of new approaches and implementation of more efficient operations in fiscal year 1985, we are proposing to take advantage of DOD capabilities in improving the operations and management of the Air Program. By fiscal year 1985, the Customs air fleet will include a growing proportion of military aircraft. While these aircraft provide improved capabilities in detection, interception and tracking, they also require more specialized logistics than the regular civilian types previously used by Customs. In order to maintain a high utilization rate and state of readiness, Customs will require the highly technical skills already available to DOD. Undoubtedly, DOD logistics has the capability of maintaining these aircraft and providing the unique equipment needed for rapid repairs and maintenance.

Therefore, the Treasury Department is negotiating with DOD to accept the operational and maintenance responsibility for the military aircraft used in the Customs air fleet. We believe DOD support for these functions will provide the required logistics needed for the most efficient and effective use of the aircraft. As a result, we anticipate increased utilization, greater operational readiness and improved detection and interceptions. If these results can be achieved, it will insure more effective interdiction along the entire southern border as well as providing efficiencies of $11,000,000. At this time, we cannot provide specific information on the increased DOD logistics support since negotiations are continuing, but your Subcommittee will be kept fully informed.

Additional efficiencies and savings will accrue from the EXODUS program, our proposed statutory amendment of the Airways and Airport Development Act, and selective management actions to upgrade administrative support. As indicated earlier, we have implemented several new approaches to the difficult enforcement of critical technology illegally exported to the Soviet Union and its allies. We anticipate that these innovations will be fully operational in fiscal year 1985 and should permit us to reduce EXODUS costs by $5.0 million. Another $7.0 million can be saved by returning the full costs of airport passenger processing on Sundays and Holidays to those receiving the benefits; namely, the domestic and foreign carriers. Since 1977, when the statute was amended by the Congress, inspectors have cost the Government about $40 million, and are now running at more than $7.0 million per year. Finally, we will be implementing across-the-board management initiatives re-

lated to personnel and administrative staffing, procurement, printing, and publications and audio visuals totalling $5.4 million and 145 average positions.

We have gone into considerable detail on the projected improvements in Customs commercial operations and our fiscal year 1985 proposals because of their enforcement importance, your interest, and the long-term needs of the international business community. This budget continues our efforts to reduce the overall cost of government business. Customs management plans are to replace inefficient operations by sound management practices and systems. Excessive overhead, as well as duplicative and marginal operations, have been specifically targeted for elimination, partially to meet the reduced resource levels reflected in this budget. We are continuing to study other proposals to achieve resource savings and improve operational performance; and other means to increase entry processing efficiency.

REPORT ON CUSTOMS ENFORCEMENT AND OPERATIONAL PROGRAMS—INSPECTION AND CONTROL

Customs Inspection and Control program processes persons and cargo, and clears carriers, for both revenue and enforcement purposes. Customs efforts to improve and expedite processing of persons and goods will continue in fiscal year 1985. Our objective, considering resource constraints, is to achieve a balance: economical processing while still maintaining full service.

To meet the challenge of a growing workload, we are, in the normal course of our inspections, automating and implementing increased selectivity in the handling of imported merchandise and in passenger processing. In cargo processing, every step, from manifesting to duty collection, will be subjected to improved time-saving and less resource-intensive procedures. With regard to enforcement, selectivity continues as the significant means of increasing efficiency. Our special teams of inspectors, equipped with detector dogs and the best possible intelligence we can supply, are concentrating on high risk cargo. These teams have already established significant cost-benefit ratios with note-worthy narcotics seizures from cargo and baggage. We intend to expand their use, expertise, and improve the equipment available to them.

Passenger processing

As in previous years, Customs processed about 290 million persons entering the United States, of which almost 30 million were air passengers. Although air passengers constitute only about 10 percent of the total number of persons entering the country, they require a higher than proportionate share of Customs resources because of the limited facilities and the heavy crowding during processing. The problem is particularly acute because flight arrivals at airports are concentrated within certain time periods and the expansion of facilities to meet the growing workload has lagged.

To meet these greater demands and insure that its workload is effectively facilitated, while full enforcement is maintained, Customs has developed new processing approaches. We are tailoring our processing system to physical configuration and threat level of each airport. Whatever form of processing is most effective in a particular airport, that is the system we will install. We anticipate implementation of Red/Green processing system at many major airports. Our basic operating assumption is that the vast majority of passengers are honest and will select the appropriate inspection needed.

The enforcement aspects of passenger processing are being reinforced by training inspectors in new observational techniques, development of walk-through narcotic detention devices, passport "readers," and other similar innovations. Moreover, these new techniques will be very useful in carrying out our special responsibility of handling security and visitor processing for the Summer Olympic Games this year at Los Angeles.

Olympics

Customs is prepared to facilitate and protect the many foreign visitors expected to attend and participate in the Summer Olympic Games in Los Angeles. It assuredly will be a great event and Customs intends to do its part in seeing to it that no untoward activities disrupt the Games. Customs will be implementing an integrated operation for passenger and cargo processing, including security and law enforcement, inspectors, patrol officers, and special agents. All foreign visitors and participants, as well as their equipment, will be processed by Customs through various ports of entry. It is projected that the majority of visitors and equipment will arrive at Los Angeles International Airport, although other major ports of entry will surely be impacted.

Customs will insure that the additional workload does not result in facilitation or security problems at Los Angeles, or any other port. The security threat to the arriving visitors, participants and inspection personnel is heightened because of international terrorism. It is estimated that Los Angeles will experience an additional 15–20 percent workload during the normally heavy summer tourist season. In addition, we expect J.F.K., San Francisco, Chicago, Miami, Honolulu and Houston airports to experience increased passenger traffic.

Cargo processing

Selectivity procedures are most adaptable to cargo processing. In order to speed the flow of merchandise, we are expanding existing cargo selectivity and introducing automation to cargo processing systems. Several systems which have been specifically designed to facilitate the flow of cargo while maintaining an effective enforcement are discussed below.

In cargo processing, the most significant innovation has been the expanded and enhanced Automated Cargo Clearance and Enforcement Processing Technique (ACCEPT) system. Rigourous system testing showed that regulatory and enforcement efforts could be improved and cargo expedited by intensively examining only selected shipments identified by automated intelligence as high risk. Customs ACCEPT is now in operation at major ports, and the entire processing and inspection is guided by a central-site computer. At the same time, a manual version of the system, previously developed for use at small to medium-sized ports, will be installed at additional locations. The enforcement aspects of ACCEPT were also strengthened by integrating it with the Customs Automated Cargo Transaction Intelligence System (CACTIS), which provides background data on each shipment.

In the future, ACCEPT is to be incorporated into the Automated Commercial System, which will control processing of cargo from its arrival at the docks or airports until release to the importer. Until that system is fully operational, expansion of ACCEPT as a stand alone system will continue at major ports. In addition, a number of other initiatives are being pursued until the entire cargo system is fully streamlined.

Contraband enforcement teams

Contraband Enforcement Teams (CET) are reinforcing the traditional inspectional operations. These Teams gather and disseminate intelligence, perform input document review, and analyze and search suspect cargo. Whenever violations are detected, merchandise, drugs, contraband, and items in violation of currency reporting and export laws are seized. CET capabilities will be bolstered by combining their search efforts for drugs in cargo with those of the Canine Teams. In fiscal year 1983, the CET teams, as part of Operation Eagles, worked closely with Mexican Customs along the Southwest border to control the growing smuggling problem.

Tariff and trade program

Tariff and Trade is responsible for appraisement, classifications, duty assessment and collection on entries of imported merchandise, as mandated in the Tariff Act of 1930. Related and equally important functions include verification of import statistics; administering national trade policy by monitoring quotas, steel import restrictions, various trade agreements; as well as enforcing merchandise admissibility for over 40 other Federal agencies and 400 related laws.

We are improving the complete range of tariff and trade operations and are continuing an indepth review of the current merchandise processing system. Our goal is to reduce the burden on the importer, especially his costs of doing business with Customs, while insuring that Customs maintains required services even with increased merchandise imports. I am pleased to report that development projects begun last year will be operational early in fiscal year 1984. A brief description of these innovations is included in the following sections to provide you with some insight into the challenge faced by Customs.

Automation and centralized appraisement

Centralizing merchandise appraisement in fewer locations is an innovation which will increase productivity while maintaining service with reduced staff. Furthermore, centralization will enhance planned automation, which can be cost-effective only when large volumes must be processed, and assist in implementing bypass and post-audit systems. These approaches are the core innovations for this system.

Whatever the final configuration of duty assessment locations, centralization does not mean an end to Customs presence, nor any curtailment of our service to the public. Ports which are centralized will not be closed; inspectors and other Customs

support staff will remain in every port, only import specialists are relocated. Furthermore, entry papers are still to be filed at the port of arrival; but under centralization, these papers are simply processed at another location. The presence, or absence of an import specialist at any particular port does not affect the initial Customs review of these documents. Similarly, centralization will not delay merchandise being released to importers or entered into or withdrawn from either Foreign Trade Zones or Customs bonded warehouses. I can assure you that these and all other Customs activities at the port will proceed without disruption to the importers, brokers, or other members of the trade community.

Additional improvements

A supplementary development to centralized appraisement is the preparation of a fully integrated and automated data base to meet Customs and trade community requirements for entry processing, entry examination, cargo release, duty collection, and liquidation. Many of our current manual and automation entry processing functions have evolved as independent activities within the Customs Service and are not integrated into a single system. The planned automated system interfaces the broker community, and Customs processing procedures.

Automated interface with the broker computers is a key feature of the system. Currently, about 60 percent of the entry summaries presented to Customs are prepared on broker computers, and that number is expected to grow to 80 percent by 1986. Customs views this as a unique opportunity for both the trade and Customs to work together. Electronic interchange of entry data has been successfully tested. By fiscal year 1985, several Customs ports will be processing by the Automated Broker Interface (ABI). Continued expansion of ABI will facilitate the implementation of Customs streamlined processing and support the development of a "paperless entry."

Selectivity criteria, which also are a key feature for both cargo examination and import specialist review, will be maintained in a unified data base. The system will be fully operational in fiscal year 1984 and will be capable of identifying the types of review required by the import specialist. As is common in this type of processing, random sampling will maintain system integrity.

Finally, in these times of limited resources, each agency involved with collecting revenue must implement the most efficient means for enhancing debt collections, cash management, and cash flow. This goal is precisely the goal Customs is striving to achieve. Customs is exploring and has implemented systems for speeding up debt collections and cash flow. In fact, new cash flow procedures will assure that duty payments will be in the bank within a day after collection. Several new proposals for improving debt collection are under consideration. In addition, commercial fraud teams are operating in all Customs Districts to insure that evasion of duties is held to a minimum.

These innovations, and perhaps others, will pay increasing benefits in the future and will be the means for eliminating unnecessary paperwork, simplifying processing methods, and, best of all, making the importation of goods and payments of duties a more businesslike operation.

Tactical interdiction

Customs Tactical Interdiction Program was organized to detect and apprehend smugglers operating outside the regular port limits or entry points, generally those areas where a significant percentage of today's drug smuggling occurs. Customs maintains a highly mobile land, sea, and air tactical enforcement force tailored to challenging these smuggling activities. Customs tactical units have introduced new operational approaches, equipment, and technology to control and reduce smuggler options for choosing the method, time, and location for crossing our borders.

Our principal tactical interdiction forces are stationed at land, sea, and air ports of entry, and supported by airplanes, helicopters, and boats. Primary emphasis, in the past several years, has been the Southeast Border, where massive amounts of drugs enter the country, and associated large flows of currency enter and leave daily to finance this international drug trafficking. Customs in cooperation with the Coast Guard and the Drug Enforcement Administration, has implemented a series of joint interdiction operations at these critical smuggling border areas.

Current tactical interdiction approaches

Customs Tactical Interdiction Program conducts traditional enforcement operations such as surveillances, patrols, intelligence-gathering, monitoring sensors, examinations of passengers and crew members, special integrated enforcement efforts, and vessel and aircraft searches. To combat smuggling by vessels, the Customs

Marine Interdiction Program operates 110 boats, ranging in size from 14 to 57 feet and stationed at 49 high-risk locations. A new marine module, patterned after the successful Patrol Air Program concept and utilizing a command and control center was successfully tested and has become the operational approach for the program. A major part of this enhanced marine module will be a Servicewide plan for upgrading the logistics and utilization of the fleet. Replacements in the fleet will occur in stages as resources are available. Exchange/scale provisions and the traditional seizure/forfeiture routes will be used, whenever possible.

A prime concern of the U.S. Customs Service and the Treasury Department has been the effectiveness of our Air Interdiction Program as a deterrent against the smuggling of narcotics and contraband by private aircraft, a threat that has dramatically increased over the past several years. In fiscal year 1983, the value of narcotics and dangerous drugs seized in the Customs Air Program amounted to $745 million—an increase of 88 percent over fiscal year 1981. Seizures during fiscal year 1983 are valued at over $1.2 billion—an increase of over 60 percent compared to the provious year.

In an effort to most effectively respond to this serious problem, Customs air operations has adopted a strategy of concentrating air personnel and equipment in high-threat areas and using them in conformance with the new detection, interception, and tracking methods. Furthermore, because of your continued interest in Customs achieving the most effective air interdiction program, I have had a consultant review our current plans and approaches, and provide us with recommendations for developing the most up-to-date air program.

Customs has invested much of its air enforcement resources to combat the smuggling of narcotics and dangerous drugs into Florida. These efforts were intensified in support of Operation Florida. Most gratifyingly, the present enforcement posture in Florida has apparently slowed the flow of contraband. However, as expected, continued intensive operations in Florida and the assistance of Department of Defense equipment, now available because of the relaxed posse comitatus restrictions, are causing smugglers to shift operations to the Gulf and southwest Borders.

In order to meet this threat, we have requested the loan of aircraft from DOD for a complete air module for operational use at other critical air smuggling locations. Recently, because of the easing of posse comitatus restrictions and with the assistance of Congressional Committees, the Defense, the Defense Department has agreed to the loan of a number of aircraft and other air interdiction equipment. This option, should it materialize, will provide us with an alternative national air interdiction capability. Currently the first of 8 P-3A's from DOD is being renovated for Customs specific requirements. The projected completion is June 1984. When operational, this aircraft will significantly boost Customs detection capabilities along the border.

Also, in fiscal year 1985, Customs is planning, as I indicated earlier, to request DOD assistance in accomplishing the operations and maintenance support required for high-level utilization and efficient operations. Having the expert "know-how" regarding these military aircraft, DOD can more effectively maintain the planes and materially assist Customs in upgrading its interdiction efforts. We believe that this assistance will significantly increase the overall protection of the southern border against air smuggling and even increase the number of seizures.

Investigations

The Customs Service investigates violations of Customs and related laws. Included under this broad mandate are currency, neutrality, fraud, organized crime, white collar crime smuggling, cargo theft, and wildlife violations. In accomplishing these investigative tasks, during the past year, several major enforcement objectives were emphasized.

Presidential drug task force initiative

Responding to the growing crime problem, a Presidential Drug Task Force intiative was established and is now implemented throughout the country. Customs participates with other Federal law enforcement agencies in these task forces. As of now, Customs primarily conducts financial investigations. The financial investigations focus on smuggling groups responsible for the laundering of large sums of money. We believe this program is a major step in assuring the success of the President's goal of disrupting organized crime throughout the country.

Our investigative attack on criminal organizations under the provisions of the Bank Secrecy Act and through their financial transactions has paid excellent dividends in terms of its impact on the largest smuggling groups operating in this country. Using multi-agency investigative and prosecutorial teams, operating under the

leadership of the local U.S. Attorney, it is currently active in Miami, Los Angeles, Houston and New York—cities with large-scale currency movements and in the forefront of top-level drug trafficking and money laundering.

Our Treasury Financial Law Enforcement Center (TFLEC) is supporting the nationwide Operation El Dorado, and Operation Greenback our South Florida version which also includes IRS, DEA, and the Office of the U.S. Attorney. The Center is analyzing financial characteristics of criminal markets and assisting in developing useable strategies for exploiting criminal financial business practices. Needless to say, the Center also is the source of intelligence, both domestic and foreign, developed and adapted for the investigative field units. On a national basis, Operation El Dorado resulted in the indictment of 197 individuals, and the seizure of over $30 million in currency.

Operation exodus

Operation Exodus, established during fiscal year 1982, is attempting to stop the illegal export of equipment, computer parts, classified defense items, and lasers. In addition, and equally serious, is the illegal transfer of technical data on research, development, and manufacturing. Our job is not only to detect these shipments, but also to punish the individual violators. Ultimately, if we are to be successful, we also must discourage the activities of the manufacturers, overseas intermediaries, and foreign operatives. I am pleased to report that we are receiving the wholehearted support of American industry in this effort.

In fiscal year 1985, we can reduce this program by $5 million because of the significant improvements in techniques available and the upgraded approaches to be adopted. Customs will respond to the sophisticated tactics of the violators by improved training and intelligence which will permit operations to be directed to specific products, manufacturers, and geographic locations. New sophisticated equipment will become the means for conducting long-range investigations, serving as the basis for strong criminal cases and raising the prosecution and conviction rate against top-level violators.

Fraud emphasis

Over the past year, Customs has emphasized its civil and criminal fraud efforts against unauthorized steel, textile, electronics and other imports. After the highly publicized successful Volkswagen and Mitsui cases, which resulted in $37,500,000 collected for the Government, the Fraud Program has continued to produce additional revenues that would have been otherwise lost to the Government. Looking to fiscal year 1985, we hope to build on past successes, targeting major civil and criminal violations—with an end-product of high-level arrests and a return of multi-million dollar revenues lost to the Government.

CONCLUSION

In closing, we wish to reiterate that our basic mission is the collection of revenue and enforcement of Customs and related laws. Our mission is important and operates in a dynamic environment, important elements of which include the traveling public, the trade community, American business and the general public. Customs, in fulfilling its responsibilities, must increasingly employ sophisticated operational and enforcement techniques and a wide variety of skills and disciplines.

Consistent with Administration policy directed at organized crime and strengthening the economy, the Customs role in fiscal year 1983 involved new law enforcement initiatives and improvements in its ongoing programs. Our goal for fiscal year 1984, is to refine law enforcement operations and improve capabilities so that whenever new opportunities arise, we can take effective action. In essence, we are supporting successful programs and cutting back on unproductive efforts.

In fiscal year 1984, Customs will reform its commercial merchandise processing as well as expand its longterm administrative improvements. Where ever possible, selective approaches supported by automation and reduced procedural requirements will be implemented. In each case, we are attempting to speed up the processing times. As described earlier, we will be working closely with the importing community to insure that the planned operating system meets their needs as well as our own. Similarly, we will be introducing more efficient administrative support throughout Customs, particularly for operational programs. There is an ongoing review of all administrative functions in order to eliminate excessive overhead and duplicative activities.

The strategies represented are appropriate for Customs in today's environment and for meeting its future needs. Increased drug smuggling and major trafficking

must be permanently disrupted. Our efforts against commercial fraud will not only protect American industry but also the revenues. With regard to the national effort to protect our critical technology lead, illegal exports to Soviet bloc countries must be stopped so they are no longer a threat. In addition, we believe the system already implemented and planned will improve passenger and cargo processing.

Today, I have outlined a blueprint of future directions and of improvements recently implemented. In fiscal year 1985, we should begin to see the results of these efforts as many of the innovations become fully operational. As always, Customs will be working with the Congress on ways for Customs to do a better job. At times, Customs will be presenting new approaches and proposals for consolidating functions or new methods for achieving increased economies and improved productivity. These are our key objectives in determining which new approaches will be adopted for all of our processing programs.

Although Customs is reducing its overall workforce, I still intend to make real progress in achieving President Reagan's priorities of a strong enforcement posture, improved cost-effectiveness, and better service. We intend to move forward on all fronts while providing the American public with a fully modern Customs Service.

This concludes my introductory statements. We are available to discuss the details of the request and answer your questions and those of the Subcommittee Members.

Chairman GIBBONS. How much of your 1985 budget is earmarked for EXODUS?

Mr. DE ANGELUS. Approximately $16 million.

Chairman GIBBONS. What percent is that of your total budget?

Mr. DE ANGELUS. Of our total budget?

Chairman GIBBONS. Yes.

Mr. DE ANGELUS. Approximately 2½ percent, sir.

Chairman GIBBONS. What new equipment are you planning to purchase?

Mr. DE ANGELUS. For EXODUS?

Chairman GIBBONS. Yes, sir.

Mr. DE ANGELUS. We are not planning any major equipment purchases for Exodus, but are requesting $5.7 million worth of devices to secure our radio communications.

Chairman GIBBONS. To do what?

Mr. DE ANGELUS. To secure our voice communications, to make our enforcement communications secure from overhearing, eavesdropping.

Chairman GIBBONS. Good luck.

Mr. FRENZEL. Will the chairman yield?

Who are you securing it from?

Chairman GIBBONS. Probably the Russians, I guess.

Mr. DE ANGELUS. We are securing our communications from drug traffickers. I am just informed that I may have misled you. The voice privacy is for our enforcement operations generally. We have had other equipment purchases for EXODUS to improve the tracking of illegal diversion of high technology.

Mr. PEASE. What sort of equipment?

Mr. DE ANGELUS. I am sorry, I am not hearing well today, Mr. Pease.

Mr. PEASE. What sort of equipment, what are you talking about?

Mr. DE ANGELUS. We would be pleased to present that to you in executive session or classified documents, Congressman.

Mr. PEASE. I see.

Mr. Chairman, I think it would be worthwhile if the Customs Service could provide that for us on a classified basis so we know what they are buying.

Chairman GIBBONS. Yes, sir. Without objection, we will ask you to do that.

Mr. DE ANGELUS. We will be happy to do that.

Chairman GIBBONS. I am worried about a 50-year old regulation on the importation of trademarked and patented items that you seem to be interested in changing for some reason that escapes my imagination, unless you are trying to raise prices to consumers in this country. And I have written a letter from me, individually, to the Secretary of the Treasury.

I will repeat it to you. I don't want you changing those regulations unless you bring it to Congress. The regulation has been on the books for 50 years—I am specifically referring to section 133.21 of the Customs regulations. I don't think you ought to change it until you bring that to Congress and discuss it with us.

Mr. DE ANGELUS. We understand your position, Mr. Chairman. At the present time there are many diverse interest groups interested in reviewing this regulation. All that we in the Department of Treasury are proposing at this time is to formalize those views——

Chairman GIBBONS. Let me say as a matter of public policy, I think any time a regulation by IRS or Customs has been on the books that long a time, it has acquired the status of law, and I just don't believe you ought to go changing the law. If you want to change the law, come down here and discuss it with us, and we will change the law.

Mr DE ANGELUS. We will be happy to discuss it with you, Mr. Chairman

Chairman GIBBONS. I have a lot of questions, most of which I will ask you to answer in writing.

Mr. Pickle has some questions.

[The information follows:]

Question. The Administration has stated that there are no budget implications from the proposed consolidation of the INS inspection functions with the Customs Service inspection functions. Yet, your 1985 request reflects a reduction of 1,000 inspectional and patrol positions. Is the Administration indirectly proposing the transfer of all law enforcement from the Department of the Treasury to the Department of Justice?

Answer. No. The fiscal year 1985 budget was prepared in accordance with Department and OMB guidance which did not include any plans to implement the proposed INS/Customs consolidation.

Question. Even if the total hiring freeze which I understand Customs has imposed remains in effect through September 30, will it not be necessary for Customs to effect a massive reduction-in-force in order to meet the reductions reflected in its 1985 appropriations request?

Answer. The hiring freeze which is now in effect was imposed to enable Customs to meet fiscal year 1984 budget constraints. It is anticipated the freeze will be lifted for the second half of fiscal year 1984. This means that a significant portion of the fiscal year 1985 reduction will be accomplished by a reduction-in-force (RIF) to occur on October 1, 1984. Each month the RIF action is delayed increases the number of employees affected.

Question. Will any of Customs regional, district, or port offices have to be closed to meet fiscal year 1985 requested funding levels? If so, which ones?

Answer. Customs reorganization plans for fiscal year 1985 include the consolidation of the Northeast Region with the New York Region, and the consolidation of the South Central Region with the Southeast Region. In addition, the following districts are being considered for consolidation in fiscal year 1985; however, the specifics of these consolidations have not been determined: St. Albans, Bridgeport, Providence, Wilmington, Mobile, Dallas/Fort Worth, Port Arthur, Milwaukee, Duluth, and Portland, Oregon.

There are no plans to close any port offices in fiscal year 1985.

Chairman GIBBONS. Mr. Schulze.

Mr. SCHULZE. Thank you, Mr. Chairman.

Mr. Commissioner, will any of Customs regional headquarters, district offices, ports of entry, will any of them have to be closed to meet the fiscal year 1985 requested funding levels, and if so, what regions?

Mr. DE ANGELUS. Congressman, we do not plan to close any ports of entry. Ports of entry are where people and goods enter and exit the country. Consequently, those areas would not be diminished.

However, we do plan to consolidate some district offices, which is the operating level overseeing the activity of one or more ports. We do plan to reduce our regional offices from seven to five. You may recall in 1982, we reduced our regional offices from nine to seven. We found that very beneficial. We saved 146 man-years, which we were able to put into line activities, inspectors, import specialists, and special agents. For 1985, we do plan to close two regional offices. We expect to save approximately 176 man-years from that activity. The two offices are currently located in New Orleans, La., and Boston, Mass.

Mr. SCHULZE. Good luck.

Mr. DE ANGELUS. Thank you.

Mr. SCHULZE. How about district offices?

Mr. DE ANGELUS. We are planning to consolidate a number of district offices. We are planning to consolidate Milwaukee, Duluth, and Minneapolis districts into a single district office. That will not affect the ports of entry in Milwaukee, Duluth, or Minneapolis. It will merely reduce the administrative overhead in those three districts by approximately $250,000.

The change will be transparent to the importing public. There are other districts which we will be happy to supply you with a list of.

[The information follows:]

The following districts are being considered for consolidation in fiscal year 1985: St. Albans, Bridgeport, Providence, Wilmington, Mobile, Dallas/Ft. Worth, Port Arthur, Milwaukee, Duluth, and Portland, Oregon.

Mr. SCHULZE. I think that would be very beneficial, for us——

Mr. DE ANGELUS. Thank you.

Mr. SCHULZE [continuing]. For us to have that.

One other area, Mr. Commissioner. That is if you would fill me in on the current efforts of the customs service to detect steel import fraud and quota evasion. I would like to know what is being done and how it is being done and how successful the effort is.

Mr. DE ANGELUS. We have a rather substantial effort underway, and we plan to increase our activity. If I may, I would like Assistant Commissioner Corcoran to address that, Congressman.

Mr. CORCORAN. Yes, sir.

We have taken some new initiatives for fraud in general, which we call Tripwire, but we particularly have targeted steel fraud in nine ports, the principal ports being Houston and Los Angeles, because of the major cases there. We have about 60 ongoing steel investigations at this time. We have added import specialists and auditors to our agent teams.

We have also got five specially assigned attorneys from the Department of Justice to work on the major cases in Los Angeles, Portland, and Houston. So we have made some new initiatives in steel investigation.

Mr. SCHULZE. Could you be a little more explicit? Are you just doing it through invoices, or physical inspection?

Mr. CORCORAN. We are doing it several ways. In some instances, we have developed sources of information within the trade. We have done it through investigations overseas that have corroborated some suspicions on our part on what was happening in either the overvaluation of steel, violations of quotas, or false countries. We have even had some covert operations working in the trade to attempt to disclose some of the violations.

We have also had several meetings with the trade, themselves. Just last week we met in Senator Heinz's office to discuss with them some of their suspicions and some of the areas they would like us to focus on.

Mr. SCHULZE. What is your success ratio? How are you doing, and how do you anticipate doing?

Mr. CORCORAN. Well, I think we have done well. We have got two major steel cases, one where we had convictions of company officials as well as the companies themselves. One steel company was assessed a $11 million penalty, another for $2 million. We have several more. The cases I speak of are all criminal cases. We expect to not only have criminal indictments but also substantial civil penalties against the companies.

Mr. SCHULZE. What is your anticipation for the coming year?

Mr. CORCORAN. I can't project the penalties, per se. But I think we expect something in the neighborhood of nine major indictments of companies and related people in the steel fraud area.

Mr. SCHULZE. Thank you very much. Thank you, Mr. Chairman.

Chairman GIBBONS. Mr. Pease.

Mr. PEASE. Thank you, Mr. Chairman.

Mr. De Angelus, let me say at the outset that I applaud the efforts of the Customs Service to upgrade the efficiency of its operation. I think that is commendable. And you have reported some success. Obviously you are planning to move ahead with your automated commercial system. I think that is all to the good. We certainly have no objection to an agency coming in and asking for less money in one year than it asked for the year before. We ought to all be standing up and applauding.

I guess the reason we are not doing that is that we are a little nervous about any diminution of enforcement of the customs laws. Frankly, I, for one, am a little worried that this administration lets its cost cutting philosophy get in the way of adequate enforcement of the laws.

As you noted in the testimony, there are billions of dollars of goods being smuggled into this country. I think you use the figure $100 billion. Certainly that being the case, we would not by some false sense of economy want to be cutting down on the ability of your agency to do its job.

Now you have essentially asked for $75 million less than you asked for last year on a current services basis. In other words, you say that you are actually requesting $23 million less in 1985 than

you did in 1984. On top of that, it would take $35 million for increases necessary to maintain current operating levels, you are not asking for them, and $17 million for operations and maintenance, I guess.

At any rate, by your testimony, that adds up to $75 million below what you ordinarily would be requesting this year to carry on at last year's level of activity. And you tell us you can operate not only as efficiently but more efficiently and get more done with a level of $75 million effectively below what one would think you would need. Is that your statement to us?

Mr. DE ANGELUS. Congressman, I have been with the company 25 years. I have never seen a bureaucrat who would say "Give me less." I always want more. However, just as in our personal lives there is only so much money available to do the things that have to be done. We always want to do more than there is money available. Customs has been around a lot longer than I have, since 1789. We have always responded to these kinds of challenges.

I believe we are going to take a big heavy swing at increasing our effectiveness with a reduced budget. This automated commercial system I mentioned is going to increase our effectiveness and efficiency. If we can close these regions, as when we closed two other regions, we will save millions of dollars which can be diverted to line activities.

We hope our increased selectivity and the way our inspectors perform their enforcement mission will also increase our productivity. We don't intend to diminish our enforcement activity by this reduced budget.

Mr. PEASE. Did this request for less money this year than last originate in the customs service? Was your request to OMB for 1985 lower than what you were authorized for 1984?

Mr. DE ANGELUS. No, it wasn't, Congressman. As I explained, bureaucrats always want more. We did ask for more.

Mr. PEASE. So this judgment that you can operate on less money and do it more efficiently is not a judgment, at least initially, of customs, but rather a judgment of OMB?

Mr. DE ANGELUS. I wouldn't say that, Congressman. You know, you look out and say "If I had carte blanche, this is the way I would like to do it." So we sat back and formulated all the things we would like to do, and costed and then it was submitted. However, as I mentioned earlier, there is only so much available. And after various budgetary review processes we came to how much was available to do the job.

I believe that we will do a good job, Congressman.

Mr. PEASE. Is there any chance that the same philosophy or theory could be applied to the Defense Department? Are you available for appointment as Assistant Secretary of Defense?

Mr. DE ANGELUS. We do take great pride in our ability to get things done, Congressman. I know the Defense Department is faced with other challenges. But we like what we do in customs.

Mr. PEASE. Now, you say that you are going to be able to operate with fewer people. Is that right, fewer people working?

Mr. DE ANGELUS. Yes, Congressman. Approximately 923 fewer people.

Mr. PEASE. 985 fewer people. What will be the kinds of people who will be missing in the 985 positions?

Mr. DE ANGELUS. We hope to centralize appraisement. It is something we have been restricted from doing in our current year operations. We would save approximately 200 man-years in import specialists and related support personnel from that activity.

We hope to consolidate Customs laboratories. We currently have seven laboratories. We would like to reduce that number and increase specialization as well as reduce some of our international activities. We expect we can save 25 positions there.

I mentioned earlier the closing of two regions and consolidating of districts, all administrative type personnel. We hope to save approximately 230 man-years in that activity.

Through the automated commercial system and increased productivity and selectivity in enforcement efforts, we hope to save approximately 415 positions in the inspection area.

Mr. PEASE. Could you differentiate? You mention automated systems. Obviously, you may be able to save some bodies by doing calculations by data processing equipment, computers.

You also mentioned selective enforcement. That sounds a little bit to me like deciding not to do as much enforcement as you did before. What is the difference between those two?

Mr. DE ANGELUS. Congressman, we hope to be smarter in the way we do enforcement. Most of the people entering airports are honest travelers, not violating Customs or other laws. What we try to do is target those people most likely to be violating the laws.

We do the same thing in the cargo processing area. We have trained our inspectors and import specialists to identify high-risk commodities and high-risk firms. We think our selective enforcement efforts are more effective than stopping every person or ship and according them the same degree of inspection rather than intensifying efforts on those most likely to be a risk.

Mr. PEASE. So these 415 people, or man-years, as you say, of that 415, how many would be represented by inspectors who are no longer going to be inspecting on such an intensive scale?

Mr. DE ANGELUS. Virtually all of them.

Mr. PEASE. So in your move to automation, you do not expect to save much manpower, is that right?

Mr. DE ANGELUS. We do expect to save manpower.

Mr. PEASE. You told me 415 through automation and selective enforcement.

Mr. DE ANGELUS. With the centralized appraisement I mentioned 210 man-years, 165 of which is through centralized appraisement. The rest would come through economies we expect from the automated commercial system.

Mr. PEASE. So that is 35. But of the 415——

Mr. DE ANGELUS. Mostly inspectors. But inspectors in the cargo area will rely heavily on the automated commercial system. The system will assist inspectors who have to manually choose daily which they will intensively inspect. Through the automated system, the data base will provide that information to the inspectors. The significant benefit of the system is that inspectors may now spend their time doing the intensive examinations and inspections rather than deciding which ones to do.

Mr. PEASE. I guess it is a matter of opinion whether you can do a better job with 415 fewer inspectors or not. Did you come to the conclusion you could do a better job with 415 fewer inspectors before or after OMB established the level of your budget?

Mr. DE ANGELUS. We would rather have not reduced 415, but we believe that we can do it with that reduction, Congressman.

Mr. PEASE. Do we need to revisit in this hearing the question of overtime for your Customs inspectors? Are we still paying a lot of overtime?

Mr. DE ANGELUS. Yes, we are paying substantial amounts, approximately $39 million last year in reimbursable overtime and additional amounts financed by the taxpayers. However, if you would look at our projections of several years ago, these amounts are greatly reduced from what they would have been had we not changed our methods of doing business. Part of that inprovement is the selective processing of passengers which requires fewer inspectors during normal duty hours and fewer inspectors during after hours when the amounts are reimbursable.

Mr. PEASE. What is the unreimbursable portion?

Mr. DE ANGELUS. The total amount is $72 million.

Mr. PEASE. That is about $33 million that the taxpayers are picking up?

Mr. DE ANGELUS. Congressman, that is correct. I said $39 million. Actually $40,031,000 is the reimbursable amount and $32,391,000 is financed by the taxpayers.

Mr. PEASE. Are those your actual figures for 1983?

Mr. DE ANGELUS. For 1983.

Mr. PEASE. What do you expect that to be in 1984, 1985?

Mr. DE ANGELUS. In 1984, we expect that to grow to approximately $74 million, a breakdown of $41 million reimbursable and $33 million nonreimbursable. In 1985, we expect it to be about $78 million, $43 million reimbursable and $35 million nonreimbursable. One of our proposals for effecting economies this year is to change the 1977 law which required Customs to pay the overtime on Sundays from 8 to 5. We are requesting a reversal so that the people who benefit from it also pay that overtime. So it would be $51 million reimbursable in fiscal year 1985, and by my arithmetic, $27 million paid by the taxpayers.

Mr. PEASE. I see. So you do not expect a large increase in overtime as a result of having 415 fewer inspectors?

Mr. DE ANGELUS. We hope the way we manage through the selectivity process will not require a large increase in overtime.

Mr. PEASE. Thank you very much.

Chairman GIBBONS. Thank you.

Mr. Frenzel.

Mr. FRENZEL. Thank you, Mr. Chairman.

Thank you, Mr. De Angelus, for your testimony. I recall last year on one of your bills we tried to amend that particular authority for you to charge for overtime on Sunday. I hope we will be able to do it despite the cries of anguish from the private fliers who like to cross the border on Sunday.

I have a lot of questions about your budget, and I am very concerned about it. The first one relates to how much money you spent for EXODUS and the air watch last year. I have some diffi-

culty understanding that from what we have before us. Can you refresh my memory, that is, in the current year?

Mr. DE ANGELUS. This year, Congressman, for the first time, a separate line item was broken out for the air program, approximately $31 million, which we anticipate will be expended in fiscal year 1984. For fiscal year 1985 we have deleted $5.8 million in one-time expenditures, and annualized $2.9 million for a total of $28.1 million. Also we are requesting that the Defense Department supply $11 million of support for maintaining and operating the military aircraft.

Consequently with the $11 million rquested from the Defense Department and our remaining appropriation of $17 million, in fact the air program will be operating at a $28 million level for fiscal year 1985.

Mr. FRENZEL. How about EXODUS in 1984?

Mr. DE ANGELUS. EXODUS in 1984 is approximately $25 million and in fiscal year 1985, approximately $16 million.

Mr. FRENZEL. I thought it was 30. But 24 is a nice, round number. I know that this committee last year in its authorization bill approved $14 million for EXODUS and $9 million for the air module. I guess so much for the authorizing committee's oversight. You managed to spend in one case three times as much and in the other case, about twice as much.

Mr. DE ANGELUS. Well, Congressman——

Mr. FRENZEL. Let me continue.

In addition, this committee authorized some more employees, with which I must say I did not go along wholly. But because you managed to spend so much for these two programs, apparently you were able to get rid of employees, instead. Is that going to be your continuing program for 1985?

Mr. DE ANGELUS. Congressman, we didn't actually get rid of any employees. We just did not add. Through attrition, we reduced our staffing. You may recall that Customs has not had an appropriation since 1980. We have operated on continuing resolutions and we have had only one authorization act through both Houses of Congress and signed by the President in that period.

Consequently——

Mr. FRENZEL. I am painfully aware of it.

Mr. DE ANGELUS. Consequently, it is very difficult for us to manage our resources, not knowing at any given time what is authorized and what is not or what will be authorized and what funding will be available.

Mr. FRENZEL. I would agree, it is a difficult thing for you.

On the other hand, we take our duties seriously, and I have to say that the performance last year against our standard has probably not made us more friendly toward the operation. You exceeded our expectations in those two areas, and fell far short of them in the areas that Mr. Pease is concerned about.

Mr. DE ANGELUS. I didn't mean to imply we ignored the activities of this committee, Congressman. I was just trying to point out that there are three more committees involved.

Mr. FRENZEL. I very well understand that, Mr. De Angelus, and I know of the difficulties, and I realize when this committee cannot get an authorization passed that you are in no way bound.

On the other hand, we have got to live together. And I hope we will live together in greater harmony than perhaps we have done in the past.

I want to talk about design of the formal entry form. I understand you are redesigning and you have created a form that requires seven rather than the old number of three documents. I understand that the reprogram costs are very high, at least in the estimate of brokers.

I wonder if you can explain what in heaven's name you are doing there? I thought this administration was on a path of paperwork reduction and simplification. How did you manage to more than double the number of documents?

Mr. DE ANGELUS. Congressman, I started as a Customs examiner, what we now call Customs Import Specialist, so I have some expertise in this area. I recognize that the import and brokerage community and Customs have quite a symbiotic relationship. We do have differences of opinion from time to time. And maybe we don't understand each other well all the time.

However, we have I believe reduced from seven to three forms, not increased from three to seven. We are eliminating Customs Form 5101. We have eliminated the special Customs invoice, of which about $4 million were submitted each year. As far the form 5101 we saved about 50 million forms a year. All of these forms were paid for by the public. We do have a difference of opinion at the present time with the brokerage community concerning revision of the 7501, the form which does away with existing form 5101, revising it. We tried to simplify it. We have tried to reduce the number of items which had to be reported.

I think it is more a timing disagreement we have with the brokerage community on that particular item. Because of their efforts in automation and ours, I believe they would like the changes delayed further because they don't have a high degree of confidence that Customs really knows what it wants on the form, and that there may be additional requirements later. We don't believe that.

As far as the formatting of the form, if the data is in the computer, the computer can be programed relatively easily to print it out on line 1 or line 4. Consequently, we have not ignored their concerns, although we do think they are unfounded.

Mr. FRENZEL. I think it is important that you try to work things out with the importing and exporting community insofar as you can. Obviously, you have got a job to do, and you have got to do it.

On the other hand, we would like the system to be as unobtrusive as is possible into the daily chain of commerce. And where your complaints are warranted, and where you are collecting information that is unnecessary or spreading it on two sheets where one would do, I hope you will, I hope you will work on that as hard as you can.

Indeed, if I have got my numbers backward and you have gone from seven to three, you will get my congratulations unless they have three times as many lines. However, I think often some of our Government agencies, particularly our friends at the IRS, believe that the world should operate at their convenience. I hope that that is not the credo of the Customs department.

Mr. DE ANGELUS. It is not, Congressman.

Mr. FRENZEL. Let me go to another question. I am told that agents are spending excessive amounts of time tracing down informal entries of apparel that are suspected of being over quota. Can you tell me what percentage of inspector time is being spent on these kinds of entries? Perhaps you may want to do that for the record if it is not available at the moment.

Mr. DE ANGELUS. I don't have the percentage of time, Congressman.

[The information follows:]

TRACING INFORMAL ENTRIES OF APPAREL

Less than one percent of inspector time is spent tracing down informal entries of apparel that are suspected of being over quota. Generally, when a suspicion exists the privilege of informal entry is revoked and a formal entry is required, thereby ensuring that quota requirements are met.

Mr. FRENZEL. If that involves more, a great deal of paperwork, may I suggest you do it in a general way?

Mr. DE ANGELUS. Thank you.

Mr. FRENZEL. I am not interested in the tenths of percents. You also have made a decision inside your shop to change the informal entry procedure on textiles to $250 a day rather than per transaction. I am told that that imposes a hardship on people, particularly those who import samples.

Do you believe that there is a serious leakage over our quotas?

Mr. DE ANGELUS. Congressman, I would like Ms. O'Rourke to address that item since she works with it on a daily basis.

Ms. O'ROURKE. Thank you. Yes, we believe in some cases it is an attempt to get around the actual quota agreements that we have with other countries. We have found that many shipments that are labeled as samples are arriving, 10 and more shipments on one plane, all from the same manufacturer and all to the same importer. We have a hard time understanding how those are actual samples.

We are looking into alleviating that somewhat in that if they arrive from different manufacturers and happen to be on the same flight or the same ship, we will make arrangements to allow those entry. But we do still believe it is a serious problem.

Mr. FRENZEL. My judgment is it would be very hard to tailor one's ordering requirements to get them all on the same ship or airplane. That is the problem that my importers have. They don't know which airplane their shipments are going to arrive on. They have no control over that. And yet, you are causing them a heck of a lot of trouble.

In my judgment you ought to review that process. If there is notable leakage in the quota, then go after it. But if there isn't, don't harass the guy who is getting the samples.

I would also like to talk to you about sureties on Customs bonds. I am told you are thinking about trying to get rid of them.

Mr. DE ANGELUS. Congressman, under Commissioner von Raab we have looked at a number of the philosophies of the Reagan administration and tried to apply them in Customs. One is the reduction in paperwork and reduction of regulation. I think we have done a commendable job from our standpoint in that regard.

Earlier on we looked at the possible elimination of Customs regulation of customhouse brokers. After we had looked at it and heard from all sides, we decided that it was not in the public interest to do that. We are proposing and will be submitting proposed legislation to strengthen our activities with the Customs brokers since we do license them and the public relies on them to carry out Customs transactions.

In the same regard, we are looking at sureties and the role that they play in effecting import transactions, smoothing the flow through Customs and guaranteeing payment of duties to the Government. So we don't intend to eliminate them. We intend to look at whether or not they do still play a vital role in modern times and whether that process should be continued, or whether there are alternative means of guaranteeing payment of duties to the Government.

So what we are doing at this time is planning a public hearing to get views from all sides before we make a proposal to do anything.

Mr. FRENZEL. OK. We would like to know what you are doing before you do anything, too.

Mr. DE ANGELUS. Absolutely.

Mr. FRENZEL. You proposed some rules on October 14?

Mr. DE ANGELUS. Congressman, that was the advanced notice of proposed rulemaking. We plan now to go to public hearing in April. Then we will evaluate what we hear and what everyone says. Certainly your views will be greatly entertained.

Mr. FRENZEL. Thank you. We would like to know what you are doing. I don't know what my views are because I don't know what you are doing.

Mr. DE ANGELUS. OK. We shall——

Mr. FRENZEL. You were asked about consolidation by Mr. Schulze and Mr. Pease. You indicated that in one area you were going to save $250,000 by consolidation, without inconveniencing the shipping public. It seems to me that there is a diversity of opinion among the shipping public as to whether that has been done or not. All I can say is that this subcommittee will probably back you up in your consolidation program. We do want you to save money. We want you to apply your resources in the best way you can.

On the other hand, when you tell people you are going to give them the same kind of service, we want to be darn sure that you do give them the same kind of service. There are criticisms of that, and I will be talking to your office about them and hoping that you will be able to take care of them.

Mr. DE ANGELUS. Thank you.

Mr. FRENZEL. After consolidation, are you going to continue the preclearance procedures? There are a number of people that are afraid that these procedures might be abandoned, and that their commerce will be slowed down as a result.

Mr. DE ANGELUS. Congressman Frenzel, at one time customs did have a philosophy to contain and minimize the number of preclearance locations. However, since that time we have modified our inspection procedures. We do not in our enforcement area try to go after minor infractions of the rules. We try to go after major violators. It's the same whether it is drugs or commercial transactions.

Preclearance is no longer a threat to us, any different from stateside clearance. So we have no philosophical problems with preclearance, and we believe single agency management of that, just as single agency management of any of the other inspection processes, is more economical, more efficient and more facilitative.

Mr. FRENZEL. Thank you. I do, too.

The Commissioner and I have vastly different ideas on EXODUS, and everyone should understand that as I ask these questions. I have heard on the street that your EXODUS inspectors have a point system through which they can receive bonuses for detentions and seizures, including wrongful detentions, incidentally. Is this true? How does it work, et cetera?

Mr. DE ANGELUS. Congressman, there is no bonus system with regard to EXODUS itself. In two of our customs regions we do have a point system under the employee performance appraisal system, which includes a recognition for an individual inspector's enforcement activity. There is no bonus associated with that. It is just a means, one of a number of means by which the supervisor evaluates the performance of individual inspectors.

Mr. FRENZEL. May I ask if there is a downgrading for wrongful detentions or seizures that prove to be without merit?

Mr. DE ANGELUS. I can't answer that directly. I do know something about the system. And I certainly know that someone would not get credit for an incorrect seizure.

Mr. FRENZEL. I think the public has the idea that this is like the old police force bonus system for getting more traffic violations. I don't think we want harassment. We certainly want to reward good service on the part of your employees. I hope that you will take a look at those systems that exist in your district, and assure yourself and others that they work that way rather than becoming an incentive for mischief and harassment.

I would like to know if you have figures on detentions and seizures for 1983 for EXODUS. And they can be furnished separately if you want to. I want to know how many of them involve technical violations, didn't have real security risks, how many involved failure to license items on the low end of the technology scale, or unilaterally controlled items, how many resulted from tips, and so forth.

My judgment in looking at the record, which is only open to me in little glimpses, I can't look at the whole thing, is that you are doing a pretty good job stopping things that are shortly to be decontrolled from the CCL anyway, and that still the major revelations come from tips rather than from a wanton stopping of materials on the docks. I would like to have, rather than just perceptions and glimpses, I would like to have the whole picture if you can provide it.

Mr. DE ANGELUS. We will provide you with a comprehensive analysis, Congressman.

[The information follows:]

COMPREHENSIVE ANALYSIS OF EXODUS SEIZURES

During fiscal year 1983 the U.S. Customs Service, under our enforcement program known as Operation EXODUS, seized 1,444 shipments consisting of controlled U.S. technology. All of these shipments were seized because the attempted exportations

were in violation of the Export Administration Act or the Arms Export Control Act. All of the seized items were licensable as determined by the Commodity Control List (CCL) and/or the Military Critical Technologies List. Commodities are placed on these lists if their uncontrolled exportations constitute a threat to U.S. security. None of the seizures could be described as items on the "low end" of the technology scale since, as yet, such a scale does not exist. However, the Office of Investigations is currently focusing its efforts on identifying and prioritizing that U.S. manufactured technology which is most desired by the Soviet bloc. By focusing on key categories of U.S. technology as opposed to the entire technology spectrum, this process will reduce the current number of export detentions. Additionally, we are currently testing a bonding program at select ports which will allow an exporter with no previous violations to export questionable technology, free from fear of detention, subject to the procurement of a surety bond which ensures that the technology is general destination merchandise for which a validated export license is not required.

The U.S. Customs Service recognizes that our inspectional activities stemming from Operation EXODUS are not, in themselves, impeding the Soviet military buildup. Virtually all of the seizures which occur from our inspectional activity are administratively remedied and the concerned merchandise is ultimately licensed for export. Very few criminal investigations have resulted from export merchandise which was detained or seized through our inspectional efforts.

Our inspectional activity is, however, an integral part of Operation EXODUS. Until Operation EXODUS was implemented in October of 1981, there was unimpeded exportation of virtually every item of critical technology. Since then this activity has effectively closed the "floodgates" to the Soviets. The virtual lack of U.S. export enforcement since the termination of the Second World War enabled the Soviet Union to close the technology gap through both the legal and illegal acquisition of U.S. manufactured state-of-the-art technology. Furthermore, our inspectional activity provides an audit trail for criminal investigations and serves as both a deterrent to crime, as well as a public awareness and compliance program. Those export shipments which are seized, even those where there may be no criminal intent, are seized because a violation of U.S. law has occurred. Thus such merchandise is prohibited from exiting our borders.

Through our investigative efforts, both domestic and overseas, Operation EXODUS is succeeding in its efforts to uncover significant violations of U.S. export control laws. Since the inception of Operation EXODUS in October 1981, through November 1983, the Department of Justice has accepted 315 cases for prosecution. We are extremely proud of the 224 indictments, 298 arrests, and 199 convictions that have resulted from this two year old enforcement program. Currently, we are monitoring more than 150 active investigations, of which the public will be made aware through the media. We have positive feedback from the U.S. intelligence community and the Department of Defense that Operation EXODUS is impeding the Soviet military buildup by denying easy access to the fruits of American ingenuity and labor.

Through numerous undercover operations, we are seeking to allow criminal organizations and foreign intelligence networks to acquire critical technology through us, so that we can disrupt the organizations and prevent the technology transfer before it is too late. In addition, our special agents are contacting manufacturers of critical technology to solicit their cooperation in identifying suspect clientele seeking to acquire critical technology. Furthermore, the U.S. Customs Service currently has investigative offices located in eight foreign countries, with plans to expand to an additional five locations during fiscal year 1984. These overseas efforts focus on gathering intelligence as well as on identifying and disrupting criminal organizations, both in the host country and in the United States. The cooperation we have received from our foreign counterparts in regard to technology control is most encouraging. It appears that many of our overseas allies are quickly adopting a stringent program of export controls which will deny the Soviet bloc easy access to Western technology.

Mr. DE ANGELUS. George Corcoran was just mentioning to me in the car that you, among others, have been rather critical of some of our activities. In the past 3 months some of the changes brought about by your concerns have I think reduced the kind of incidents you refer to.

Mr. FRENZEL. I must agree that that is true. And I think your service is working on it. I guess I would prefer to see no program, let people go back to the honest pursuits of commerce. But as long

as we have to have a program, we may as well do it right. And my principal concern is that only the "bigs" have the resources to do it right. They can send people to visit your agents. I understand those visitations are going on and useful contacts are developed and commerce moves very nicely. And for a large corporation, travel and time of a few people is simple. That doesn't help the little company who can't visit the dock at Boston or San Pedro, or wherever you operate, and who simply watch their letters of credit expire while no notification of the problem is given to them.

Are you handling these questions by phone, or are you dropping things on the U.S. Government mule to inform shippers that their merchandise has been detained?

Mr. DE ANGELUS. We are doing a number of things. One is that the expertise of our inspectors in identifying a potential problem, communicating it to our EXODUS Center and resolving it very quickly has greatly increased. If I may, I will ask George Corcoran to respond to the other part of the question about the way we communicate with the exporter himself.

Mr. CORCORAN. Yes; we are doing it mostly by telephone. We do two things. When we make a detention, we notify the shipper. We give him our command center number and also give him the Commerce Department's licensing number where he can get direct information on what happens to the material if it is in fact seized. So most of our transactions are by phone. But we also corroborate in writing the detention or seizure. But the actual initial work is done by telephone.

Mr. FRENZEL. Good. I hope you can make 100 percent because some of these companies are on a short lease, shipments have been delayed already domestically. And if those letters of credit expire, or if customers' needs expire, we got big trouble. As you know, I credit you with putting a small company out of business in my district that had less than 30 employees. Now, it has none. I would like to prevent any future allegations of that sort of event.

Do you have an EXODUS service number that people can call?

Mr. CORCORAN. Yes, sir.

Mr. FRENZEL. Is anybody on the other end of it, your end?

Mr. CORCORAN. Yes, sir, there is. We have a command center. If no one is at the command center, the caller will be referred to sector, which will give them someone to call.

Mr. FRENZEL. And there aren't a lot of busy signals on there? You have enough people to answer the phones?

Mr. CORCORAN. I am pretty sure. They may get some busy signals occasionally, sir.

Mr. FRENZEL. Are you prepared to discuss a program called Ramparts today?

Mr. DE ANGELUS. I referred to that a little earlier. We would like to do that either in executive session or through classified documents.

Mr. FRENZEL. Well, I would certainly hate to give aid and comfort to the enemy, so I will wait for that kind of discussion.

Thank you, Mr. Chairman. That completes my round of questioning. I would like to just make a statement about the budget.

I like any agency that brings in budgets with less money and less people that they had before. I must congratulate you for what you

are trying to do, in consolidation especially, even though my city is a purple-hearted victim of consolidation. Nevertheless, I continue to be worried about air modules, about the EXODUS program and other classified programs in which we are playing detective, or at least participating in more adventuresome pursuits rather than doing the job that the customs service was invented to do; that is, to monitor the imports and exports of this country and collect Customs duties.

I am still nervous about the amount of overtime. I do know that the reimbursables are now up to 10 percent of your budget. I would sure like to get them higher.

Mr. DE ANGELUS. We would, too. As a taxpayer, I have the same concerns.

Mr. FRENZEL. It would help everybody. What do you figure is your overtime as a percentage of your total salary cost?

Mr. DE ANGELUS. Off the top of my head, it is approximately 15 percent. However, for the area of personnel who draw it, it is much, much higher. It is well over 50 percent; maybe 80 percent for those——

Mr. FRENZEL. We still have a moral problem of people working very long hours sometimes, of some people making a hell of a lot of money. But working for it. Some not getting it, some getting it. Wide disparities in total remuneration for agents from one place to another. That problem has got to be solved some way. I continue to believe that billing the public for special services is the quickest way to begin to solve it.

Thank you, Mr. De Angelus.

Thank you, Mr. Chairman.

Chairman GIBBONS. Mr. De Angelus, there are a number of questions in writing that the staff has submitted for the committee. We hope you will respond to those. I have got some more questions in writing that we will submit today.

[The questions follow:]

Question. What was your original budget request to OMB for fiscal year 1985?

Answer. Customs original submission to OMB requested $684,456,000 and 13,287 average positions. This excludes $18,702,000 for the January 1984 pay increase, which was also requested for fiscal year 1985.

Question. Provide a summary of any program decreases or cutbacks which would result from the proposed fiscal year 1985 budget.

Answer. The following program reductions are proposed for the fiscal year 1985 budget.

[Dollars in thousands]

Reduction	Average positions	Amount
Amend Airport and Airways Development Act		−$7,000
Marine program/special operations		−640
EXODUS		−5,000
Centralize appraisement	−210	−7,388
Laboratories/International activities	−25	−879
Organizational realinements	−231	−8,126
Inspection and control selectivity and reduced service	−415	−14,673
Marine officers	−42	−1,477
Nonrecurring costs	−31	−19,444
Increased Department of Defense support		−11,000
Total, reductions	−354	−75,627

Question. Does this budget request require a reduction-in-force from the current level of permanent positions? If so, how many in each category? What is the probable impact in terms of revenue collection, interdiction of narcotics, and the functioning of commercial operations?

Answer. The budget request requires a 954 position reduction. The following chart summarizes the proposed reductions within specific employment categories.

	Number (Average positions)
Inspectors	452
Import specialists	167
Customs aids	22
Laboratory employees	10
Regional and district employees	179
Headquarters employees	25
Stenographers, typists, and secretaries	22
Other clerks	41
Part-time and temporary	36
Total	954

Substantial savings will be achieved by the Customs Service in 1985 through increased automation, administrative efficiencies, and increased selectivity and facilitation. This will be done by concentrating our resources on the minority who break the law while facilitating the law-abiding majority.

It is not the Department's intent to cause longer lines in airports or to delay commerce. These will be real savings with minimal impact on our drug interdiction efforts, the public, and business, and are not an effort to save resources by inconveniencing the public whom we serve. Specifically we will realize reductions in the following areas:

Organizational Realignment (−$8.1 million and −231 average positions).—Productivity increases, streamlined operations and consolidation of duplicative or related functions will enable Customs to realign and consolidate regional and district offices, resulting in substantial savings.

Centralized Appraisement and Selectivity (−$7.4 million and −210 average positions).—Reconfiguration of locations where full appraisement functions are performed will result in economies to Customs as well as to the public.

Laboratories/International Activities (−$.9 million and −25 average positions).—Consolidation and realignment of Customs laboratories will result in savings in personnel and operating costs due to reduced overhead costs and more efficient use of staff. Additional savings will result from Customs relying more on reimbursable agreements as the means for funding international training, technical assistance and Customs participation in International Organizations and Conferences.

Inspection and Control Selectivity/Marine Officers (−$16.2 million and −457 average positions/down from a base of $279.2 million and 6,561 average positions in 1984).—Reductions will be achieved by continuing to develop selectivity systems and automated procedures for facilitating cargo and passenger processing. Special programs such as ACCEPT, One-Stop, and an automated in-bond system indicate that inspectional workload can be processed selectively with minimal or no emphasis on low risk, low productivity areas and maximum emphasis on high risk, high productivity areas. By revising vessel reporting requirements, Customs will generate savings of 42 average positions and $1.5 million.

By concentrating its resources Customs will still achieve its enforcement goals: contraband interdiction and regulatory compliance; and its facilitation goals: simplified processing and expedited clearance of legitimate importations.

Non-recurring costs (−$13.7 million and −31 average positions).—This reduction reflects non-recurring costs for equipment for Operation EXODUS; and personnel and other costs related to the 1984 Summer Olympic Games.

Question. What additional money would be needed in the fiscal year 1985 budget request to keep pace with inflation and maintain the present level of personnel and funding?

Answer. Included in the fiscal year 1985 budget submission (on page 4) is $75,627,000 in reductions. After removing $19,444,000 of nonrecurring expenditures, the remaining $56,183,000 is the additional money that would be needed in fiscal year 1985 to keep pace with inflation, maintain current levels, and provide minimal essential enhancements.

Question. Provide as much information as possible regarding import specialists: consolidation, budget cutbacks, training, and using fewer in trade facilitation and enforcement operations.

Answer. Customs fiscal year 1985 budget includes a proposal for centralizing appraisement at about 35 locations and reduction of 167 import specialists as a result of this action and increased use of selectivity and automation in merchandise processing.

At present, Customs has 65 full-service domestic entry processing locations. Full service entry processing locations are those where appraisement, classification, statistical verification, trade program administration, etc., are performed. Whatever the final configuration of duty assessment locations, centralization does not mean an end to Customs presence or any curtailment of our service to the public. The ports being centralized will not be closed. Inspectors and other Customs support staff will remain in every port. Only import specialists will be relocated.

Centralization has several advantages. First, automation is more cost-effective where large volumes can be processed. Second, appraisement is more uniform, duplication of records is avoided, and administrative overhead is reduced. Third, service to the public will continue to be provided at all locations. Also, the number of entries being centralized is not large because currently about 20 locations process 70 percent of all formal entries. Finally, increased specialization results in increased productivity.

Most important, entry papers will still be filed at the port of arrival. Under centralization, these papers will simply be processed at another location. The presence, or absence of an import specialist at any particular port will not affect the initial Customs review of these documents. Similarly, centralization will not delay merchandise being released to importers or entered into or withdrawn from either Foreign Trade Zones or Customs bonded warehouses. These and all other Customs activities at the port will proceed without disruption.

We do not believe that this proposal will impact revenue collections, enforcement, or facilitation of merchandise.

Continued refinement and application of the concept of selectivity will allow import specialists to concentrate their efforts on high risk entries which present a potential enforcement and revenue threat and have a high potential payoff, and pass the remaining transactions with minimal processing. Post-audit techniques will be performed in the areas of manifest clearance, warehouse activities and Foreign Trade Zone operations to monitor this approach; to modify faulty procedures which allow certain transactions to be incorrectly bypassed and to assure compliance with regulations.

Question. What is your budget for computer purchases and computer leasing in fiscal year 1983 and fiscal year 1984? What is the status of the purchase/lease of the commercial systems computer?

Answer. Our fiscal year 1983 budget for computer purchases and computer leasing was $271,000 and $2,408,000 respectively. The corresponding fiscal year 1984 figures consist of $114,000 allotted for equipment purchases and $4,613,000 allotted to equipment leases. These figures include amounts pertinent to information systems technology relative to Commercial Data Systems and Enforcement Data Systems.

Question. Describe the role of the Customs Commercial Computer and the current status of the Automated Commercial System (ACS).

Answer. The Customs Commercial Computer was procured by a private contractor for the U.S. Customs Service during the latter part of fiscal year 1982. Customs leases the equipment through a "third-party" contractor. Contract arrangements have Customs assuming ownership of the computer in 1986. The Customs Commercial Computer supports all commercial and administrative systems, one of which is the Automated Commercial System (ACS).

As of February 1, 1984, four modules of the Automated Commercial System (ACS) have been implemented nationwide. These modules are the core of the system and form the base from which all remaining modules will be developed.

The modules completed to date are: Automated Broker Interface, Entry Summary Processing, Collections and Revenue Processing, Liquidations and Reliquidation.

While we have made significant progress, much remains to be done. We expect the next phase to include: Cargo and Entry Selectivity, Bonds, Manifest Processing, Antidumping/Countervailing Duty Processing, Interest on Bills.

Additional enhancements to ACS will further expedite entry processing. Cargo and Entry Selectivity will enable Customs to select only high risk entries for examination and review. Bond information will be provided on-line to the users, assuring bond sufficiency and reducing bad debt amounts that have been absorbed in the past. The addition of the other major modules mentioned above will greatly assist the entry process through automated audit trails and more efficient management of monies collected.

Question. Is any money included in the fiscal year 1985 request for new construction, purchase, or expansion of Customs facilities? Please list construction activities.

Answer. Customs has no plans for these types of activities in fiscal year 1985.

Question. What is the total number of motor vehicles under Customs control as of February 1984?

Answer. We operate 3,435 owned, leased and loaned vehicles broken down as follows:

	Owned, 1984	Leased and loaned, 1984
Passenger vehicles	2,097	607
Truck type vehicles	609	95
Motorcycles, snowmobiles	27	
Total	2,733	702

Question. What is your travel budget for fiscal year 1984 and fiscal year 1985? How does it compare with the budget for fiscal year 1982? Describe the purpose (destination, reasons for travel, personnel involved, etc.) for Customs travel.

Answer. $22,098,000 had been budgeted for travel in fiscal year 1984 and $19,590,000 in fiscal year 1985, compared to $15,789,000 in fiscal year 1983. The increase in fiscal year 1984 is largely due to the shifting of personnel associated with the Drug Task Forces from the reimburseable account to our regular appropriations; requirements of Special operations and surveillance conducted by agents; and increase investigational staffing at Customs foreign offices for enforcement intelligence activities. In addition, operational people, such as Inspectors and Import Specialists, travel to installations, regional and district offices to implement and evaluate new programs. Travel costs are also associated with training of Customs personnel such as inspectors to maximize their effectiveness and to optimize utilization of new automation technology.

Question. What consultant contracts are currently outstanding? Provide a list of all consultant contracts and their costs during calendar 1983.

Answer. The Customs Service had one consultant contract in 1983, with Hadron, Inc. for the assessment of Customs air program. The work called for by this contract was completed in calendar year 1983 by the Hadron, Inc. Total cost of this contract was $81,468. There are no consultant contracts currently outstanding.

Question. What is the budget impact on Customs training programs at the Federal Law Enforcement Training Center?

Answer. Advanced training for the approximately 700 senior inspectors will be curtailed. The training program currently under development incorporates training in the following major areas:

Operational impact of recent court decisions.

General enforcement techniques in narcotics, trademarks, copyrights, currency, export control, etc.

Basic data processing to maximize utilization of existing Customs automated systems and to monitor private systems that interface with and/or support Customs systems controlling imported cargo.

Training for supervisory inspectors in maximizing the effectiveness of the workforce will be eliminated. This training is deemed critical if we are to attain the desired results with a shrinking workforce.

Question. Describe any new training programs at Glynco such as for the EXODUS program.

Answer. The level of expertise for inspectional personnel in EXODUS positions will continue to increase both as a result of enhancements to existing training programs and the addition of at least one new training program. In addition to the ongoing regional and district level seminars, on site training at selected high risk locations, basic export control orientation in the basic inspector's course, and CET Team courses and the quarterly EXODUS dedicated courses at FLETC, we are also initiat-

ing this year a new microcomputer utilization course for inspectional EXODUS personnel. This course will train EXODUS inspectors in the utilization of approximately 70 microcomputers procured with fiscal year 1983 funds. These microcomputers will form a part of a sophisticated targeting network designed to greatly enhance the ability of field personnel to detain only those shipments which are truly critical technology thereby reducing the number of unproductive detentions and facilitating the movement of ligitimate export cargo. A technology identification and screening system will be deployed on the microcomputers which will significantly improve the quality of detention and the seizure to detention ration of exported shipments.

Question. What was the total revenue collected in 1983 in duties; in countervailing duties; in anti-dumping duties? What is the relationship of those duties to overall collections?

Answer. Based on reports received from Customs District and Port officials, the approximate amount collected for fiscal year 1983 are as follows: Total duties, 9.1 Billion; Countervailing duties, 10.5 Million; Antidumping duties, 3.0 Million.

Overall collection for 1983 totaled 9.8 Billion. Countervailing and anti-dumping duties comprise less than one percent of this total.

Question. What steps have been taken in the past year to improve the maintenance, and/or disposition of seized aircraft and vehicles?

Answer. Customs is involved in a major planning effort to centralize, at Service Headquarters, the management of our seized aircraft program. The annualized cost of this proposal is estimated to be $615,000. The expenses of the program cover the ferrying, storage, transportation, preservation and depreservation, and limited maintenance and repairs.

The 148 aircraft currently under Customs seizure are being maintained at the regional level until formal implementation of a centralized program.

Although we are benefiting greatly from the Department of Defense loaned aircraft, we can additionally upgrade and standardize our fleet through the aircraft exchange/sale process. Through the judicial process, seized aircraft may be awarded to Customs and placed in the air fleet.

Because the exchange/sale waiver granted by GSA now provides Customs the authority to upgrade its aircraft fleet, seized aircraft of the type previously reported to GSA, and subsequently offered to State agencies, are now being retained by Customs and incorporated into the exchange/sale program. Prior to initiating public sales action, all aircraft are made available for transfer to other Federal agencies at fair market value.

Exchange/sale aircraft are identified from both Customs active fleet and inactive inventory. In January of 1984, our first transaction was deemed a success—eight aircraft were sold at public auction and 13 will be awarded through sealed bid. Eight aircraft already have been identified for the second transaction to be completed by the end of March.

The resources secured through this process are deposited into a special fund from which monies can be drawn in the future to purchase better-equipped aircraft to satisfy Customs air interdiction requirements and enhance our operational effectiveness.

We continue to evaluate seized property on a case-by-case basis for forfeiture to Customs for enforcement purposes.

Question. What were your overtime expenses in fiscal year 1983? What are they projected to be in fiscal year 1984 and fiscal year 1985?

Answer. Customs overtime expenditures for 1983 were:

	Thousands
Reimbursable:	
1911	$40,031
Non-Reimbursable:	
Act of 1944	10,271
Public Law 94-353 (sec. 15)—Aircraft	7,767
Act of 1945 (FEPA)	3,710
AUO	10,085
Fair labor standard	558
Subtotal	32,391
Grand total	72,422

Customs overtime costs for fiscal year 1984 and fiscal year 1985 are projected to be:

Projected fiscal year 1984:	
Reimbursable	$41,232

Nonreimbursable	33,363
Total	74,595
Projected fiscal year 1985:	
Reimbursable	51,201
Nonreimbursable	26,378
Total	77,579

Question. What management steps have been taken to better manage the overtime pay of Customs Inspectors?

Answer. Management inspections of field operations are being conducted to institute uniformity and efficiency in assignment policies and to institute tighter controls on expenditures. Changes include:

Establishment of shifts, reduced supervision of low risk transactions, increased local assignment accountability.

In addition the following projects are underway:

Development of reporting systems to promptly identify significant increases in costs.

Revision to national policy and procedures to minimize potential increases in costs due to arbitrator's settlement of employee grievances.

Review of operational practices in terms of results of achieved.

The following is a chronology of Customs overtime costs since fiscal year 1980.

Fiscal year—	Reimbursable	Nonreimbursable
1980	37,457,367	27,237,816
1981	39,625,808	28,964,970
1982	39,978,464	29,624,312
1983	40,031,000	32,391,000
1984[1]	41,232,000	33,363,000

[1] Estimate.

Question. Describe the rationale and purpose for the proposed 1911 overtime amendments.

Answer. The Customs Service, with the approval of the Treasury Department, has requested an amendment to the Airport and Airways Development Act of 1970, Section 53, Subsection (e), which would require reimbursement to the Government for inspectional overtime services in connection with the arrival of aircraft on Sundays and holidays between the hours of 8 a.m. and 5 p.m. Based on current costs, approximately $7 million per year would be returned to the Treasury.

The Department of Justice forwarded a legislative proposal (Executive Committee Number 1637) on July 27, 1983, to the House of Representatives to reduce the rate of compensation for both Customs and Immigration inspectors, which would result in an estimated 30 percent reduction in Government paid overtime and an estimated 45 percent reduction in reimbursable overtime, based on 1982 costs.

Question. In fiscal year 1983, did any Customs personnel earn over $20,000 in overtime and what are the estimates for the number who will exceed $20,000 during fiscal year 1984?

Answer. During fiscal year 1983, 264 Customs employees earned over $20,000 in overtime. We estimate a 10-percent increase for fiscal year 1984 based on rate of pay increases, workload increases, staff reductions and other associated factors.

Question. What is the figure for 1982 and 1983 in unreimbursable overtime? Is there any way to provide for a higher percentage of overtime being reimbursed?

Answer. In fiscal year 1982 nonreimbursable overtime amounted to $29,624,313.68. The corresponding figure for fiscal year 1983 was $32,391,098.71.

It is estimated that repeal of that section of Public Law 94-353 (Airport and Airways Development Act) which provides free services in connection with aircraft arriving on Sundays and holidays between the hours of 8 a.m. and 5 p.m. would provide a reduction of almost 25 percent in nonreimbursable overtime expenses.

Question. Describe the military participation, training, and resources, being utilized in drug interdiction efforts by Customs. What actions has Customs taken to implement the military role?

Answer. DOD has been very supportive and helpful in Customs drug interdiction efforts. The detection coverage provided by the USAF AWACS, Navy E-2C Hawkeye, ground and aerostat balloon based radar; loaned aircraft and helicopters; and

operations maintenance and support; have been important elements in our enforcement success.

The Customs fleet, including military loaned aircraft and apprehension helicopters, in conjunction with DOD ground radar and scheduled radar aircraft support (E-2C and AWACS), have played a significant role in Customs air interdiction strategy and, recently, in support of the National Narcotics Border Interdiction System (NNBIS). From January 17-21, 1984, for example, Operation "Snowflake" successfully produced the seizure of 1 aircraft, 4 vehicles, 3,300 pounds of marijuana and 6 arrests.

Military assistance, and the need for a long-term commitment of this assistance, continues to play a key role in the future of the program. The first of the loaned military P-3 detection aircraft is being readied for operation late in fiscal year 1984. Other miltary assistance in the form of loans are also underway.

Question. Describe the operational approaches used by the Customs Patrol to intercept drug smugglers. Where is the primary emphasis of the program now? Have additional officers and agents been deployed? If so, where? What will be the impact of the budget request on drug interdiction efforts?

Answer. The operational approaches used by the Customs Patrol to intercept drugs are informant development and use; refined intelligence research; undercover operations and threat analysis to determine areas of greatest enforcement need. The primary emphasis of the program today is to infiltrate large-scale and organized smuggling groups to disrupt these operations to the maximum. Additional patrol officers are being deployed on a TDY basis as Special Enforcement Operations are planned and target specific narcotic threats. All areas of Customs responsibility have employed Special Enforcement Operations resulting in significant seizures and arrests. The successful testing of our marine module concept in fiscal year 1983 at Tampa, Florida, demonstrates the need for futher development of this concept on a national basis. Funding limitations have precluded large-scale efforts in this area thus far. To adequately support our drug interdiction efforts, we will need to rebuild and standardize our marine fleet, in order to infiltrate, apprehend, and seize the well financed smuggling organizations who are currently moving large amounts of cocaine (900 pounds per average shipment) by way of private yacht and high-speed vessels.

The Customs Service will utilize vessels now in seizures which meet the criteria of the Marine Module and also utilize funds from the exchange/sale program to purchase new marine interdiction vessels. Through a budget reduction most land and marine vacancies in the regions would be eliminated. Position cuts in areas of high-threat and activity will be filled by reallocation of Patrol positions from areas of lower threat. It is anticipated that positions will be reallocated first, within regions where it is least disruptive to the individual and less costly to the Customs Service. Additional positions will be drawn from other regions with lesser activity, and will be accomplished largely with volunteers and a minimum of direct reassignments.

Question. Describe the operational approaches used by inspectors to intercept drug smugglers. Where is the primary emphasis of the program now? Have additonal inspectors been deployed? If so, where? What will be the impact of the budget request on drug interdiction efforts?

Answer. Although the specific enforcement threat for each airport may differ, our primary mission of interdicting the flow of illicit narcotics and contraband remains the same. The basic Customs dilemma of facilitating the honest traveler while maintaining a strong and effective enforcement posture is not insurmountable. It is often compounded by inadequate facilities, outdated processing methods and the peaking of international flight arrivals. To combat these problems, we have developed a comprehensive strategy that takes full advantage of the resources at our disposal. Each element in this strategy is interrelated and serves to narrow the field of potential violators

The foundation of our enforcement philosophy has been and will continue to be selectivity. Through the timely communication of intelligence, the development of threat assessments for individual flights, and the evaluation of national and international smuggling methods and trends, we have re-allocated inspectors and equipment where the highest return can be obtained. We recently developed a training program that identifies and communicates specific observational profiles, interview techniques, and behavioral analysis. These techniques have significantly increased the incidence of positive examinations in secondary. Enforcement results have been elevated. This training program, which has been given to all airport Customs officers, is now being adapted to the land border environment.

The Border Processing Improvement Plan, or BPIP, is a plan to improve vehicle, passenger, and pedestrian processing at land border crossings. The plan to improve

border processing began with a review of significant arrests and seizures to establish vehicle and violator profiles, and to identify highly successful inspectors. Those inspectors were interviewed in the field and the results were incorporated into a training plan for land border inspectors which also included vehicle and violator profiles, observational techniques, behavioral analysis, and questioning techniques.

No additional positions are being allocated to these functions. The problem of expanding workload with static manpower levels has already caused Customs to be more efficient by directing resources to the most productive endeavor. This will continue to be our response to increased workload and decreased resources.

Question. What is the status of the Regional Drug Enforcement Task Force?

Answer. The Regional Drug Enforcement Task Forces are now known as the Organized Crime Drug Enforcement Task Forces (OCDE).

Customs has been active in the OCDE since its inception. The OCDE, consisting of special agents and support personnel from Customs, Internal Revenue Service (IRS), Bureau of Alcohol, Tobacco and Firearms (BATF), Federal Bureau of Investigation (FBI), Drug Enforcement Administration (DEA), and Department of Justice (DOJ), with further support from the U.S. Coast Guard (USCG) and U.S. Marshals Service (USMS), became operational in February 1983.

Customs personnel allocated to the OCDE include 142 special agents, 33 intelligence research specialists (analysts), and 25 support staff, for a total of 200 positions.

Customs personnel are participating in OCDE investigations in 12 core cities, 15 non-core cities, and 9 non-funded cities. The 12 core cities are: Boston, New York, Baltimore, Atlanta, Houston, San Diego, Los Angeles, San Francisco, Chicago, St. Louis, Denver, and Detroit.

As of January 20, 1984, Customs personnel were active in 125 out of a total of 425 OCDE cases.

Statistical data for those cases involving Customs participation are as follows, through January 20, 1984:

Arrests	179
Indictments	252
Currency seized	$4,356,000
Property seized	$2,715,000
Narcotics seized (kilos):	
Cocaine	1,086
Marijuana	39,234
Heroin	27.2

Question. Provide information about current Customs proposals to collect "Customs processing charges" or user fees? What categories are being considered for fees? Which existing fees are to be increased? How much revenue would be collected?

Answer. Proposed rules were published in the Federal Register on December 21, 1983, to assess an additional charge for overhead against parties-in-interest who are required to reimburse the Government for the compensation of Customs officers performing overtime services in connection with passenger processing. The charge would be 15 percent of the compensation of the officer and is expected to generate an estimated $6,000,000 per year.

A new category for fees being considered is foreign trade zones. An application fee and an annual fee were established by administrative directive on a voluntary *quid pro quo* basis in August 1983. Regulatory amendments are being drafted to make these mandatory sometime in 1984.

Fees for warehouse and container station applications and for navigation fees are being increased by 3½ percent during 1984 to take into account increased expenses resulting from the January pay raise for Federal employees. No change has been made yet in the bonded warehouse annual fee. A Customs task force is considering a possible change in this fee.

Customs also published a proposed rule in December 1983 to add a 15 percent overhead surcharge to all Customs reimbursements. Although this affects mainly reimbursements for Customs overtime, it will be included in, or added to, user fees.

Revenue collections estimated from these fees for 1984 are:

	Million
a. Foreign trade zone application fee	$0.1
b. Foreign trade zone annual fee	0.5
c. Navigation fees	2.1
d. Warehouse and container station application fee	0.1
e. Warehouse annual fee	[1] 1.0

[1] Subject to significant change as a result of current study.

In addition, on January 1, 1984, Customs entered into agreements with nine foreign flag air carriers to collect $2 per stopover (domestic) passenger reinspected by Customs. This agreement also tightens our enforcement controls, with the cooperation of the air carriers, when stopover (domestic) passengers are commingled with uncleared foreign air passengers. Customs will realize approximately $190,000 in revenue annually.

Question. Describe in detail the current organization at Customs Headquarters, in the regions, and districts. Have personnel from closed or consolidated regional or district offices been transferred to other offices? Provide a new organizational chart for both headquarters and regions. What additional reorganization will take place? Have there been any actual reductions-in-force as a result of reorganization?

Answer. The Customs Headquarters consists of five major offices: Enforcement, Inspection and Control, Commercial Operations, International Affairs and the Comptroller. These Offices are headed by Assistant Commissioners and the Comptroller who report directly to the Commissioner. Each office has functional but not line authority over their field counterparts. There are several staff offices reporting to the Commissioner: the Chief Counsel, Congressional and Public Affairs, and Internal Affairs.

In addition, Customs has a field structure consisting of 7 regions, 45 districts/areas, and 306 ports of entry. Regions are headed by Regional Commissioners who report to the Commissioner. Each region consists of three major offices at the Regional Headquarters level, and Districts and Ports.

Charts of the current Customs Headquarters structure and a typical Customs region have been included.

The final personnel actions resulting from Customs fiscal year 1982 regional consolidation were:

Accepted transfer to Boston or Baltimore	24
Accepted other jobs in Customs	99
Transferred to other Federal agencies	60
Retirements, resignations, et cetera	49
	232

Customs reorganization plans for fiscal year 1985 include the consolidation of the Northeast Region with the New York Region, and the consolidation of the South Central Region with the Southeast Region. In addition, the following districts are being considered for consolidation in fiscal year 1985; however, the specifics of these consolidations have not been determined: St. Albans, Bridgeport, Providence, Wilmington, Mobile, Dallas/Fort Worth, Port Arthur, Milwaukee, Duluth, and Portland, Oregon.

No reductions-in-force have taken place in Customs as a result of reorganizations.

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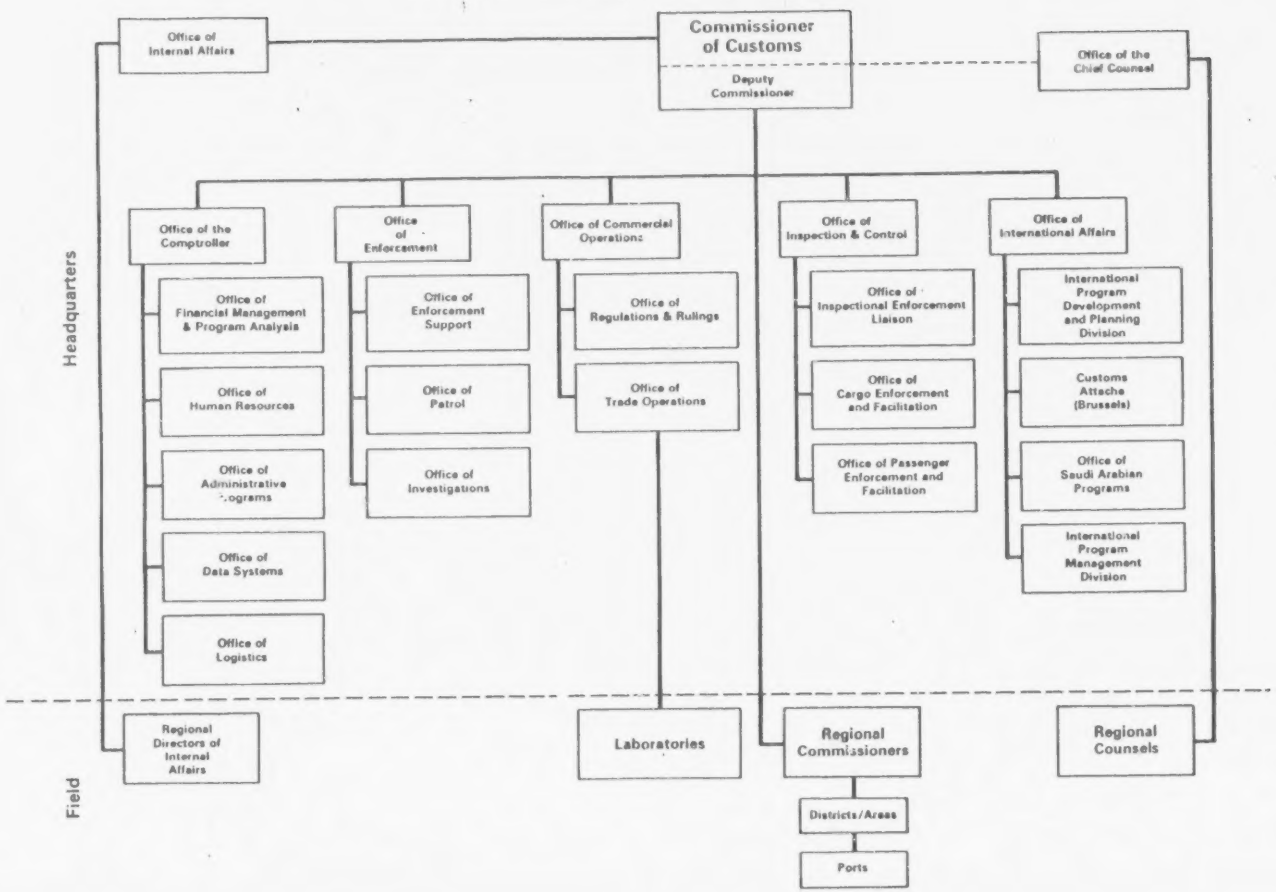
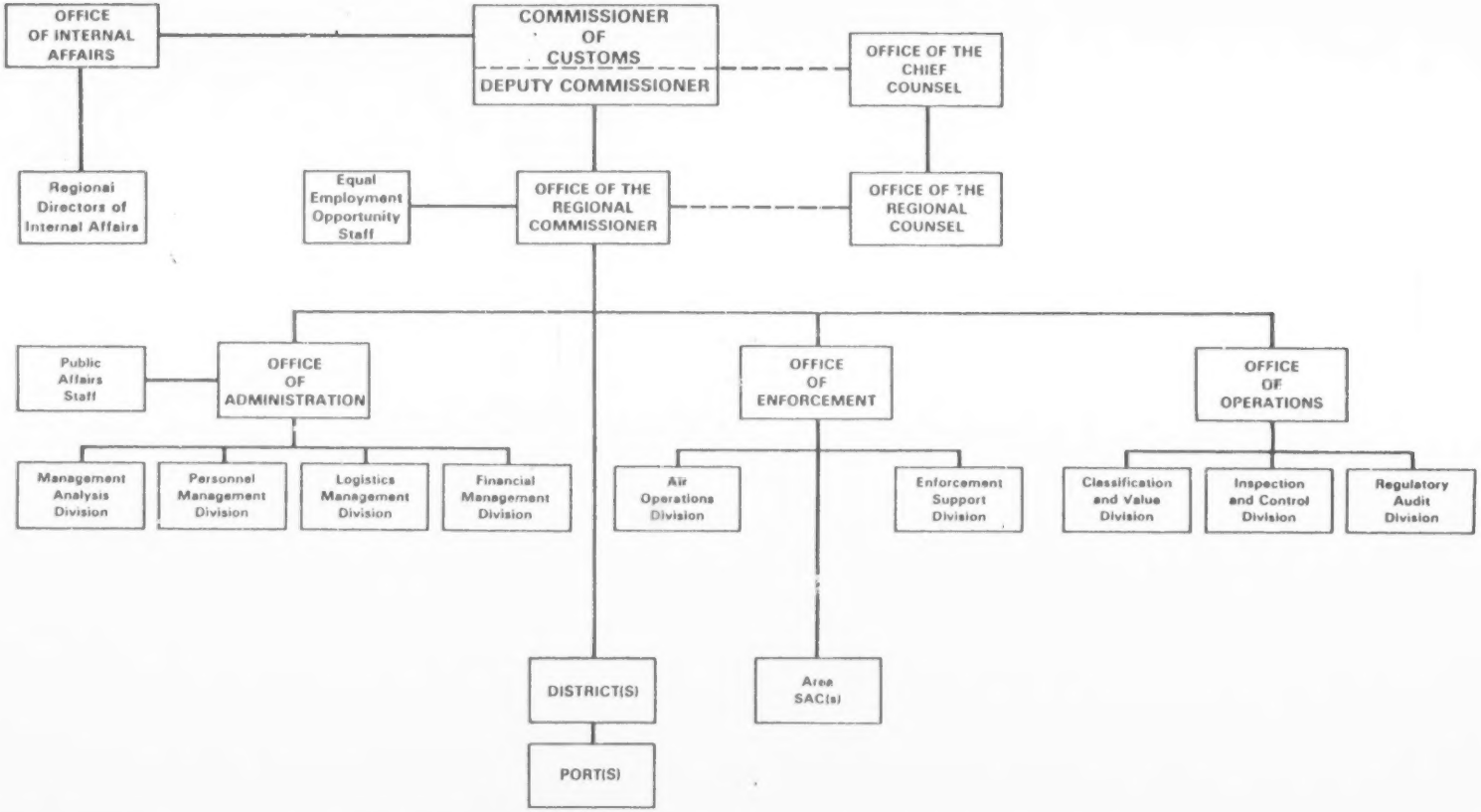
U.S. Customs Service Organization



TYPICAL REGIONAL ORGANIZATION



Question. How many new ports of entry are you planning in fiscal year 1984 and fiscal year 1985? Do you plan to close any ports or districts? What is the status of the proposed closing of Northern ports of entry?

Answer. We anticipate one new permanent port of entry this fiscal year (Springfield, Missouri). There are no current plans to close any ports on the Northern Border or elsewhere in fiscal year 1984 or fiscal year 1985. However, consideration would be given to the possibility of consolidation of Districts in fiscal year 1985 which could result in administrative efficiencies without loss of service.

Question. What is the status of the centralization or reduction of full service duty assessment locations? How many and which locations would be subject to change?

Answer. At the present time, Phase I of our centralization plan has been completed. Centralization was temporarily suspended by order of the Assistant Secretary John M. Walker. In addition, further efforts to centralize are constrained by Congressional limitations on our use of funds to consolidate.

Thirteen locations were centralized in Phase I. They are as follows:

Pittsburgh to Philadelphia.

Charlotte, NC to Wilmington, NC (2 remain but under Assistant District Director—Wilmington).

Greenville-Spartanburg, SC to Charleston, SC.

Jacksonville to Tampa (2 remain but under ADD—Tampa).

Port Everglades to Miami (status quo—1 under Miami).

Eagle Pass to Laredo.

San Diego to San Ysidro.

Phoenix to Nogales (1—but under ADD—Nogales).

Sweetgrass, MT to Pembina, ND.

Great Falls, MT to Pembina, ND.

Portal, ND to Pembina, ND.

Toledo to Cleveland.

Wichita to St. Louis.

An additional 12 locations were scheduled to be centralized under Phase II. They are as follows:

Atlanta to Savannah, Brownsville to Laredo, Hidalgo to Laredo, San Antonio to Laredo, Calexico to San Ysidro, Tacoma to Seattle, Cincinnati to Cleveland, Mobile to New Orleans, Denver to Pembina, Dallas/Ft. Worth to Houston, Portland, OR to Seattle, Port Huron to Detroit.

Question. Last year Customs indicated that it was considering interest charges on estimated duties prior to the end of the 10-day deferral period. What is the status of this? What would be the estimate on revenue collected or saved?

Answer. Treasury is reviewing a proposal prepared for publication in the Federal Register.

By charging interest on the deferred deposit of estimated duty, a "savings" would result from the reduction of Treasury borrowing costs. For Fiscal Year 1981, there were approximately $7 billion in deferred consumption entry duties. Therefore, there would be $2,734,794 in daily interest savings or $33,911,446 in annual interest savings to the Treasury Department.

Question. How is the Automated In-Bond System working? Does the system continue to be a secure and accurate source of information for tracking in-bond shipments?

Answer. The Automated In-Bond System continues to work well with all but two districts processing in the system. The remaining ports are expected to be added to the system this fiscal year. The tracking of in-bond shipments will continue to improve with the completion of Phase II programming, which will provide an on-line error correction capability replacing the current batch error listings.

Question. Describe in detail current Customs procedures for passenger clearance at airports. What changes have been made following the experimental ASIST test? Have passenger processing times been reduced at JFK and Miami International Airports? Has the "red/green" passenger inspection system been expanded to other international airports?

Answer. The Customs recommendation for expediting air passenger clearance is two-pronged. Currently, we have identified airports where facility changes can be made but more importantly where procedural changes can be promptly implemented. In addition, we fully support a consolidation of the primary inspection process as approved by the Cabinet Council on Management and Administration (CCMA) in November 1983.

At the very least, we recommend at airports undergoing major renovation of existing terminals or new terminal construction, either a joint Customs/INS primary process (one-stop) or a design that will provide for an efficient single-level Federal

inspection processing system that will utilize a red/green system in conjunction with citizen bypass.

To this end, we have trained inspectors at our 22 largest airports in the application of observational profiles and stress analysis. This training provides inspectors with a tool that permits them to more rapidly assess whether or not a passenger warrants further inspection. In addition to this training, we are working closely with our airport managers in order to further refine passenger inspection selection criteria, make better use of resources, and introduce new operational procedures. We have also completed a successful test of the automatic passport reader at O'Hare International Airport and our plans call for the installation of 18 of these devices at the new West Terminal in Los Angeles prior to the Summer Olympics. We are also in the process of evaluating each major airport's citizen to alien ratio so that the future deployment of these machines can realize maximum efficiency.

The ASIST system did not produce any significant increase in passenger facilitation, nor did it meet our inspectional enforcement objective. While ASIST appeared to be a viable alternative on paper to our enforcement/facilitation problem, it fell far short of desired results when tested under actual operation. Although facilitation at Miami was improved by about 10 percent, enforcement results declined in every significant category, i.e., arrests and drug and currency seizures. In addition, at Los Angeles, there was a significant decrease in both facilitation and drug seizures. There was a general increase in seizures, but not in those areas involving criminals.

The ASIST system at Miami was replaced in November 1982, by a two-stop system utilizing voluntary passenger selection (red/green) lanes for facilitation with observational profiles and stress analysis training for enforcement purposes. In January 1983, citizen bypass was instituted at Miami, further increasing facilitation. Recent statistics provided by the Dade County Aviation Authority show that the average through-time for the Federal Inspection processing was reduced from 45 minutes in 1982, to 32 minutes in 1983, a 29 percent increase in facilitation. At the same time, enforcement results have increased by over 150 percent. This increase in enforcement was augmented by the use of roving inspectors in the baggage claims area. These inspectors identify both low and high-risk travelers. After a brief interview by the roving inspector, the low risk travelers are allowed to depart the Customs area using a bypass lane. Travelers identified as high-risk are sent into the red or secondary area for a more intensive inspection.

To further enhance facilitation, Customs has been implementing red/green systems at selected two-stop airports. It is in effect at New York's JFK, Miami, San Juan, Chicago, Boston, Newark, Houston, (one-stop), and Tampa. These systems utilize a red/green self-selection mode whereby a passenger may elect a red/green inspection lane for Customs purposes. This self-selection reduces screening and processing time for 80 percent of the travelers who need no further Customs attention.

In summary, we believe that processing systems must be tailored to the individual airport based on facility configuration, passenger volume, and enforcement threat.

Question. How do you explain the 22 percent increase in total merchandise imports in 1983 and the $195 million decrease in duties during the same period?

Answer. Although formal entries have increased by 12 percent, the value of United States merchandise imports in fiscal year 1983 declined 1.5 percent from fiscal year 1982 levels ($246.9 billion v. $250.6, see Table 1). During that same period, Customs collections in fiscal year 1983 reached $9,785 million, a decline of $196 million from fiscal year 1982 (See Table 2). All of the 2.0 percent (−$196 million) decline was due to lower duties collected on consumption entries. More specifically, negotiated restraints in United States imports of steel tubes, pipes and fittings accounted for a $2.9 billion decline in the import value of these goods between 1983 and 1982 (See Table 3). Estimated duties collected on these goods declined by $221 million.

Thus, the $196 million decline in Customs collections between fiscal year 1983 and fiscal year 1982 was attributable to lower steel tube and pipe imports.

TABLE 1.—GENERAL IMPORTS, CUSTOMS VALUE

[Millions of dollars]

	Calendar year	Fiscal year
1983	[1] 258,048	[2] 246,877
1982	243,952	250,649

[1] Plus 5.8 percent.
[2] Minus 1.5 percent.

TABLE 2.—CUSTOMS COLLECTIONS

[Millions of dollars]

	Fiscal year 1982	Fiscal 1983	Change
Total	9,982	9,785	−196
Duties	9,278	9,060	−218
Consumption	8,658	8,428	−230
Warehouse	531	497	−34

TABLE 3.—GENERAL IMPORTS, CUSTOMS VALUE

[Millions of dollars]

	Calendar 1982	Calendar 1983	Change
Iron and steel tubes, pipes, and fittings, total	4,378	1,389	−2,989
Estimated duties paid	296	75	−221

Question. Will the proposed fiscal year 1985 budget have an effect on Customs ability to handle passenger processing and inspection in an efficient manner?

Answer. As noted in our response concerning recommendations for expediting passenger clearance, we believe that current initiatives such as the establishment of selectivity as the foundation of our processing system, improved training and management oversight, and the implementation of facilitative measures such as one-stop processing and/or red/green systems with citizen bypass, will provide considerable relief in dealing with a reduced budget and the attendant decrease in inspector positions.

Nevertheless, additional measures would be required if we are to maintain efficiency with decreased staffing. Consolidation of the primary inspection function, as recommended by the Cabinet Council on Management and Administration, will simplify and expedite the processing of international air passengers while providing significant management efficiencies. At the present time, major international airport facilities are adequately staffed to handle the overall passenger volume.

However, facility saturation and delays do occasionally occur because of a problem commonly referred to in the airline industry as "peaking". Because of the need to accommodate passenger through connections, ensure maximum use of equipment, and avoid foreign curfews, many carriers arrive during a narrow time frame. As a result, airport facilities and the Federal Inspection Services are taxed beyond reasonable limits for short periods of time. With a shortfall in resources, Customs would, of necessity, invoke its authority to deny landing rights during peak periods for some carriers. This is not to say that a carrier or carriers could not arrive at a particular location; rather, we would not permit these additional arrivals during a specific time period when a facility has reached its saturation level. By spreading the workload more evenly over a longer period of time, we would achieve the efficiencies necessary to handle our current passenger processing workload with reduced staffing.

Question. Describe in detail the Customs Air Interdiction Program. How many aircrafts does Customs now have in its fleet? What is its value and the estimated maintenance cost for fiscal year 1985? In which regions are the planes deployed?

Answer. The primary objectives of the Customs Air Program are (1) to detect and apprehend persons involved in the smuggling of contraband into the United States by private aircraft; and (2) to provide aviation support in interdiction efforts against other modes of smuggling. The Air Interdiction Program's objective is to reduce the level of smuggling by private aircraft, by (1) improving our detection, interception, tracking and apprehension capabilities, and (2) increasing the risk and cost to smugglers by providing a strong deterrence to smuggling and disrupting their operations.

The Air Program is presently undergoing internal realignment to make it more responsive to the air smuggling threat by centralizing the management of both operations and administration. Centralization should result in considerable improve-

ment to operational effectiveness and administration efficiency, including better utilization of resources to ensure policy and guidance is definitive and standard.

We are presently evaluating an expanded command, control, communications and intelligence structure which we project for permanent implementation at two operation sites—East and West—colocated with Air Force NORAD Regional Operations Control Centers at Tyndall and March Air Force Bases.

The Customs active air fleet currently consists of 62 aircraft comprised of interceptor, tracker, support and apprehension equipment. The Customs fleet is serviced under a National contract awarded to Northrop Worldwide Services. Intermediate and depot level maintenance is also provided for military aircraft loaned to the fleet under separate interagency agreements between Customs and appropriate Defense commands. The estimated fiscal year 1985 maintenance cost associated with the Fleet is $9 million.

Customs Air "Module" concept has been permanently implemented in South Florida. By concentrating air personnel and specific equipment in a high smuggling threat area and using them in conformance with proven strategy concepts and tactics, significant results have been achieved. The air smuggling threat, however, is not limited to Florida. It is increasing in other areas of the nation as would-be smugglers are deterred, to some extent, from the southeast. The air smuggler is often flexible, well organized, and has a resource base sometimes far superior to ours.

A crucial and primary factor which has not permitted Customs to fully utilize the Air Strategy has been the shortage of state-of-the-art equipment which meet our operational performance requirements. DOD airborne radar assistance, such as AWACS and E-2 aircraft, has enhanced the detection of suspect air smugglers; however, because of the lack of suitable intercept, track and apprehension of aircraft at many air branches, we have often not been able to respond.

Plans to bring each air branch to "Module" strength over the next few years will be bolstered by the planned phase-in, during Fiscal Years 1984-1987, of loaned military aircraft and apprehension helicopters. These will allow Customs to implement the strategy at a faster rate than originally anticipated. A long-term loan commitment from DOD mean Customs would have the capability to respond more effectively to the air smuggling threat at a cost which is less, and a time frame which is shorter, than outright purchase.

Question. Describe in detail the Customs vessel fleet? What is the value and estimated maintenance costs for fiscal year 1985? In which regions are the vessels deployed?

Answer. The Customs fleet is composed of 116 vessels. They range from 16' runabouts to a 60' yacht. The majority of our vessels were acquired through forfeiture procedures in the Federal courts. This method of acquisition has met a basic need for enforcement vessels, but in most cases, they are not totally suited to meet the requirements of a marine law enforcement function, or able to support the specialized detection and tracking equipment we utilized in our marine enforcement efforts.

The approximate value of the 116 vessels in Customs fleet is $1,761,000.

The vessels are deployed as follows:

Northeast Region	4
New York Region	3
Southeast Region	66
South Central Region	18
Southwest Region	9
Pacific Region	16
North Central Region	0
Total	116

Anticipated maintenance cost for fiscal year 1985 is $1,014,000. This figure could be reduced if we had more modern vessels suited to our needs. However, besides the antiquity of many of our vessels utilizing boats constructed for civilian pleasure sailing for enforcement work shortens their useful life and escalates maintenance costs.

The value and anticipated maintenance cost does not include the $8.6 million requested for the establishment of the marine modules. The figures pertain to current vessel fleet.

Question. List the results of the air module approach, i.e., how many smuggling aircraft has Customs intercepted and seized and where? What is the relationship of interdiction or seizures to the estimated overall influx of narcotics?

Answer. Customs air interdiction resources are located along the southern border of the United States from San Diego, California, to Jacksonville, Florida.

The combined effort of the program resources achieved significant results in fiscal year 1983 which included 250 arrests and the seizure of 87 aircraft, 3,782 pounds of cocaine and 124,931 pounds of marijuana.

Seizures and arrests, however, are not the sole indicators of interdiction effectiveness. Deterrence is also a factor. Deterrence is measured by a number of elements—reduced smuggler activities, changes in smuggling routes or methods, less evidence of crashed aircraft, and quantity of informant information. As our intensified enforcement presence in Florida disrupted smugglers, air smuggling activity increased in other areas. Increased military equipment will give us the capability to better deter smugglers altogether, rather than send them elsewhere.

It is difficult to estimate the enforcement results which will accrue as additional interdiction capability is established. Past experience has shown that initial seizures and arrests are very high, but taper off once the smuggler realizes our presence. As stated above, deterrence is a very important factor. Seizures and arrests are a direct indicator of the degree of smuggler activity present. As that activity is disrupted, seizures and arrests decrease. Our objective is to stop the flow of contraband. This is accomplished by seizures/arrests and deterrence.

Background—Air Program Seizures and Arrests—fiscal year 1983

Arrests	250
Cocaine (pounds)	3,782
Marijuana (pounds)	124,931
Other drugs (units)	86,836
Aircraft seized	87
Total narcotic seizures	119
Total nonnarcotic seizures	226

Question. What is the estimated impact of the fiscal year 1985 budget request on Customs air fleet capabilities?

Answer. As part of new approaches and implementation of more efficient operations in fiscal year 1985, we are proposing to take advantage of DOD capabilities in improving the operations of the Air Program. By fiscal year 1985, the Customs air fleet will include a growing proportion of military aircraft, requiring more specialized logistical support than the regular civilian types normally used by Customs.

In order to maintain a high utilization rate and state of readiness, we would like to make use of the highly technical skills already available to DOD. The logistics organization and expertise of DOD is far more capable of maintaining these aircraft and providing the unique equipment needed for rapid repairs and maintenance. We will be requesting that DOD provide the operational and maintenance support for the military aircraft being used by Customs. If DOD were to assume this role, Customs could realize a savings of approximately $11 million in fiscal year 1985 alone, and improve the state of readiness of its aircraft.

Question. What is the status of the Customs program to provide training to developing countries in the GATT Valuation Code? Has any money been set aside for this?

Answer. The first such course took place at the Federal Law Enforcement Training Center during the period August 9–18, 1983, and was attended by 18 representatives of various Caribbean and Latin American countries, and Canada. Representatives of the Customs Cooperation Council and of the Caribbean Community Secretariat were also in attendance.

More recently, a team of three import specialist instructors presented the International Customs Valuation Course before 40 officers of Jamaica Customs and Excise in Kingston at a training facility of the Jamaica Revenue Board during the period January 23–27, 1984.

In signing the Agreement on Implementation of Article VII of the GATT, the United States and other developed countries pledged themselves to providing technical assistance of various types to developing countries in the application of the provisions of the Agreement. In making available international value code assistance, the United States will be in a position to fulfill this commitment. Other developed countries are providing assistance and the United States must also respond favorably or risk losing influence in important markets for U.S. exports.

No line-item funding for technical assistance was included in the fiscal year 1984 or fiscal year 1985 budgets. Customs is providing this assistance in fiscal year 1984 on a limited basis using funds diverted from other programs.

Question. What is the status of the United States contribution (via the Department of State) to the Customs Cooperation Council for fiscal year 1983 and fiscal year 1984?

Answer. The Department of State has already paid most (95 percent) of the U.S. contribution for fiscal year 1984. The contribution payment is on schedule.

Question. Please provide information regarding U.S.-Canadian cooperation on transborder trade facilitation.

Answer. The U.S. Customs Service has maintained close and productive relations with Canada Customs and Excise over a long period of time. Recently, U.S. Customs has focused on how these good relations could be used to achieve results in areas of mutual concern, such as cost reduction, trade facilitation, and enforcement cooperation.

Border facilities committees, composed of U.S. and Canadian concerned agencies, have been established to implement the use of shared utilities at border facilities and to explore the construction of joint facilities. In June 1983, U.S. and Canada Customs signed a memorandum of understanding on research and development coordination which provides for the sharing of technical information, joint funding for new research and development projects, and the improved application of technology to operational use, as a means of reducing the costs of research and development for U.S and Canada Customs.

A committee of U.S. and Canada customs officials has been formed to reduce and simplify customs formalities along the border. Areas presently under review include the development of aligned customs documents and the alignment of customs procedures.

In December 1982, U.S. Customs signed a memorandum of understanding with Canada Customs and the Royal Canadian Mounted Police for the purpose of expressing the intention to assist one another in suppressing smuggling activities and other customs related offenses. The intelligence information exchanged under the terms of the understanding often provides the assistance needed to enforce U.S. and Canadian laws.

In June of 1984, U.S. and Canada Customs will enter into a bilateral agreement which provides for a wide range of assistance and cooperation in commercial and enforcement matters.

Question. Summarize the current Customs fraud investigations, both civil and criminal. How much revenue was recovered or produced from penalties? What investigative methods are being used by Customs investigators?

Answer. Class I, i.e., minimum $50,000 loss of revenue, national impact and/or other major cases currently being tracked by the CFIC are broken down by Desk Officer and Program Officer as follows:

New York	36
Pacific	56
South E-W-C	88
North C-E	90
Subtotal	270
Steel	39
Textiles	45
Subtotal	84
Total	354

Total recoveries so far reported for the Calendar Year 1983 as a result of fraud investigations total: $30,097,501.

Investigative techniques utilized by field agents include the same methodology utilized by any other Customs Special Agent, including but not limited to: (1) The use of informants; (2) undercover and surveillance operations; and (3) review of records, etc.

Additionally, rifle approach Task Forces and Special Operations, have been instituted in both textile, computer and steel investigations. Their successes have proven the validity of this dedicated approach to a singular target.

Question. Describe any special operations to combat commercial fraud such as quota evasion and brand-name counterfeiting?

Answer. Several special programs were initiated in fiscal year 1983 to focus on commercial fraud:

The Customs Fraud Investigations Center was established in Headquarters. This organization concentrates the several disciplines involved in fraud investigations into one office.

Regional and District Fraud Coordinators were appointed in all Customs regions.

Office of Commercial Operations established separate enforcement teams and contributed import specialists and regulatory auditors to other discipline enforcement teams, concentrating on Commercial Fraud.

Two Textile Task Forces were established (New York and Los Angeles).

Two Steel Task Forces were established (Houston and Portland).

All major steel investigations were reviewed at Headquarters and will be enhanced with funding and/or personnel.

Taiwan Textile visa program was originated and written by the Office of Investigations for action by Commercial Operations.

Liaison relationships have been established with major U.S. manufacturers and the Anti-Counterfeiting Coalition.

A Service-wide training program has been set up utilizing video tapes.

A fraud intelligence review has been published monthly for use by all Customs field personnel.

Question. What is the status of the current Customs Financial Investigations program?

Answer. The objective of U.S. Customs Financial Investigative Program is to utilize the provisions of the Bank Secrecy Act to frustrate narcotics, white collar, public corruption and other criminal organizations through financial investigations directed toward the arrests of violators and seizure of their assets. As a result, Customs is concentrating its financial investigative resources in the area of multiagency task forces which are now active throughout the United States, and in providing intelligence and investigative leads through the Treasury Financial Law Enforcement Center (TFLEC).

During fiscal year 1983 the investigative thrust of the financial program evolved from a primary case oriented stance to one of proposal, initiation and implementation of multiagency task force programs of national importance. This was precipitated by such major programs as the Organized Crime Drug Enforcement Task Forces (OCDE), Operation GREENBACK and Operation EL DORADO, all of which are extensively supported by TFLEC.

These three programs alone in fiscal year 1983 resulted in the following statistics:

Arrests	194
Indictments	245
Currency seized	$18,826,000
Property seized	$2,825,000
Jeopardy tax assessments	$3,400,000

Question. What special enforcement is the Customs Service providing to investigate and detect counterfeit high technology imports (i.e., computers and video games from the Far East)?

Answer. Both counterfeiting and illegal importations of high technology have become priorities of enforcement for the Customs Service. At the present, several covert operations are being conducted on the West Coast in an effort to interdict shipments of computers not in compliance with copyright and trademark laws.

Additionally, Customs laboratories have been equipped with the necessary electronics to enable them to detect counterfeit video arcade game programs. As the electronics industry is extremely complex and diverse in the merchandise produced, industry contacts have been cultivated for the purpose of receiving training in detection of counterfeits. These contacts have also proven beneficial in obtaining information on manufacturers and importers of counterfeit merchandise.

In an effort to produce effective prosecution of the increasing number of high technology counterfeit cases, contact with the Department of Justice has increased. U.S. Attorneys have become keenly aware of the seriousness and magnitude of high technology counterfeiting and Customs is receiving increased and expeditious assistance.

Question. Please provide information and data regarding Customs investigations during fiscal year 1983 in the steel fraud case.

Answer. This year's accomplishments in the National Steel Program included targeting potential Trigger Price (TPM) fraud violations based on the knowledge acquired in the recent TPM fraud investigations, Mitsui and Marubeni; investigations which resulted in fines and penalties in excess of $13,000,000. Two task forces, one in Portland and one in Houston, were formed to handle two very large cases, one against a major Japanese firm and the other against a major Korean firm. These

cases show a pattern of evasion similar to that found in Mitsui. Our resources have been channeled into supporting these task forces and 17 other significant cases as well as looking for additional violations using the same pattern. Our total steel case load included 39 Class I. Geographical targeting for steel indicates that the West Coast and the Houston-New Orleans area are the prime areas for large volume violations.

Other accomplishments include pursuing several cases involving altering the marking of foreign-made steel to evade "buy American" provisions; one of which led to a 33-count indictment and a subsequent guilty plea. Monitoring of the European Steel Arrangement has led to one case. Other cases involved fraud to evade the TPM and Antidumping Orders, and misdescription of the steel in order to undervalue.

Operation Tripwire tracks each of these cases, supplies support to the investigations and to the Department of Justice during the grand jury phase of the case. In this period, eight of the steel cases were before the grand jury. Operation Tripwire also coordinates information received from domestic producers, Customs officers, other government agencies, and private individuals regarding potential violations. Information is disseminated to field personnel through direct contact with the Regional Fraud Coordinators and the District Fraud Teams as well as through the monthly newsletter. Coordination is through a permanent staff person handling the National Steel Program. This individual has been in place since September 4, 1983.

Question. In fiscal year 1983, what were the results of Customs multinational investigations?

Answer. U.S. Customs multinational investigations are those which are involved with possible violations of the Foreign Corrupt Practices Act by large, usually diversified, companies with operations and subsidiaries in several foreign countries. In view of the fact that many of the multinational investigations also involve violations of the Bank Secrecy Act provisions, most of these are now carried as financial investigations.

During fiscal year 1983, multinational investigations into violations of the Foreign Corrupt Practices Act resulted in guilty pleas from one corporation and four individuals. Civil and criminal penalties were $547,000 and $529,000, respectively.

Question. Describe the consideration being given in the Administration (Treasury, OMB or Cabinet Council) to consolidate federal inspection agency functions at international airports and land border points. Will legislation is be submitted and if so, when? What personnel transfers would be required and what duties would be transferred to other agencies?

Answer. At the Cabinet Council on Management and Administration (CCMA) meeting of November 2, 1983, at a concept for consolidating the Federal passenger primary inspection activities of the U.S. Customs Service and the INS was agreed upon. The CCMA directed OMB, Justice, Treasury, INS, and Customs to explore the feasibility of this concept and develop an implementation plan for review and approval by the CCMA by November 30, 1983. A draft implementation plan was developed and briefings were held for both members of Congress and representatives of the affected industries. Strong support for the concept was expressed by industry representatives. Members of Congress, in general, were courteously receptive. At the direction of the CCMA, the Customs Service and INS worked with the top officials of OMB, Justice and Treasury to agree upon a proposal for border inspection consolidation which could be presented to the President for approval. The proposal was drafted in December 1983 and presented to and approved by the President on January 5, 1984.

OMB in conjunction with CCMA is preparing legislation for presentation in the near future. 622 Customs Inspector and 165 Customs Patrol Officer positions from land border ports will be transferred to INS. INS will transfer to Customs 505 Immigration Inspector positions at airport and seaport locations. Following the transfer, INS will assume responsibility for all primary passenger inspection at land border locations. Customs will have responsibility for primary passenger processing at all airport, seaport and preclearance locations.

Question. Provide information on the development of a periodic merchandise entry and duty system.

Answer. A Periodic Entry concept is being tested in the Detroit district with Clark Equipment Company. An import specialist in the port of Battle Creek (Clark's headquarters) processes all of Clark's entry summary and estimated duty deposits for the district. Estimated duties are paid in three installments per month based on either actual duties due or on an estimate based on previous activity. The final installment includes any additional duty due, and refunds are made upon the liquida-

tion of the entry summary. Within 10 workdays of the close of the month, a single entry summary is filed.

An Account Import Specialist concept is being tested with 3M Corporation in Minneapolis and Volkswagen in Detroit. The Account Import Specialist coordinates acceptance of all entry summaries filed by the account regardless of the port of entry. The concept includes coordination with the National Import Specialist and is aimed at eliminating multiple intensive reviews of the same or similar shipments entered at several ports. The proposal is aimed at eliminating duplicate requests for information and establishing uniform classification and value treatment of the account.

Question. What is the status of proposals to institute a "revolving" account for duty payment for major importers?

Answer. Customs and Treasury have under review an advance notice of proposed rulemaking prepared for publication in the Federal Register which relates to the payment of estimated duties. Under the proposal, a "Duty Collection by Account" procedure would be established to collect duty by the implementation of an account collection system which would separate the duty collection process (by providing for periodic deposits) from the submission of Customs entry documentation and entry processing.

Question. What is the status of proposed regulatory changes being considered by Customs and the Treasury regarding the elimination of sureties on Customs bonds? Are there any projected cost savings to the government as a result of changes in bonding procedures? Is a replacement system under consideration and would any new system afford the same revenue protection as under present regulations?

Answer. On February 13, 1984, Customs published a notice in the Federal Register announcing our intent to hold a public hearing on April 10, 1984 to listen to presentations on what action, if any, Customs should take with respect to sureties. At this time Customs has made no decision on this matter.

Question. What is the status and purpose of the Treasury Department's review of regulations governing so-called gray market importations (19 CFR Sec. 133.21(c))? What amendments are being proposed? What has been the long-standing Customs policy regarding parallel importation?

Answer. The proposal to change regulations concerning gray market goods is currently being reviewed by the Department of Treasury and other agencies. No final decision regarding the possible publication in the Federal Register has been reached. The purpose of the proposed amendments is to provide Customs protection for genuine trademarks by providing that a U.S. subsidiary of a foreign corporation which was the registered owner of a trademark in the U.S. could record the mark with Customs. Customs would then prohibit the importation of genuine goods without the consent of the trademark owner. The long-standing policy prior to this proposal was to permit the unrestricted importation of trademarked products manufactured abroad where both the foreign and American trademark rights are owned by the same company or companies under common ownership or control.

Question. How is the new program to control the Customs bonded warehouse operations working?

Answer. The new program, known as the audit-inspection program, was implemented in all warehouses on a mandatory basis in December 1982. All Customs personnel were withdrawn from full-time supervision of warehouses, in favor of supervision through spot checks and audits. Customs realized a savings of approximately 300 positions, and the trade realized a savings of about $7 million in reduced reimbursable costs.

One of the first experiences under audit-inspection was that more than 100 proprietors dropped out of the bonded warehouse business because they did not do enough business to justify paying the $650 annual fee. Spot checks began to reveal serious shortages and bond defaults, particularly in New York and Miami that were the result of inadequate supervision under the previous method. Two warehouses in New York and one in Miami were closed because of serious violations. More than $2 million in liquidated damages was assessed nationwide because of shortages and failure to comply with the new regulations.

As full-scale audit activity begins in 1984, we believe more violations dating back to the previous method of supervision will be uncovered. As the audit-inspection program unfolds in the next few years, we expect to see, first, an increase in closings and penalties, and then a decrease, as problems dating back to pre-1983 days are uncovered and dealt with and as deterrence starts to have an impact. Existing information therefore indicates that the new program is working well.

Question. What changes in Customs Foreign Trade Zone management have been implemented? Describe the inspection system currently employed in FTZ's and whether Customs inspectors are deployed full or part time for zone activities.

Answer. Customs implemented the audit-inspection program in foreign trade zones on a voluntary basis in August 1983. This is the same program that was successfully implemented in bonded warehouses in December 1982, but has been adapted for foreign trade zone law, regulations, and operating procedures. The changes will reduce Customs staffing needs, reduce delays in the opening of new zones, reduce Customs reimbursable costs to most zones, and allow much more operating flexibility in zones.

As presently constituted, audit-inspection is implemented in zones only by agreement with individual zone operators. Thus far, 3 general-purpose zones and 8 subzones have signed, or are about to sign, such agreements. Under audit-inspection, Customs examines merchandise upon admission to the zone to fix the liability of the operator for the merchandise. The operator has certain recordkeeping and supervision responsibilities for the merchandise. The performance of operators is enforced through strengthened foreign trade zone bonds, and monitored through Customs spot checks and audits. Customs officers will be deployed full-time at zones only as needed to conduct merchandise examinations of review documentation. However, they are not assigned on a full-time basis to any zones or subzones that are now operating under audit-inspection agreements.

In 1984, Customs intends to publish a Notice of Proposed Rulemaking to make audit-inspection mandatory in foreign trade zones, as it is in bonded warehouses. This will greatly expand the benefits of audit-inspection to both Customs and the trade.

Question. What is the status of U.S. Customs-Japan Customs liaison group?

Answer. The U.S./Japan Customs Joint Liaison Committee (JLC) is scheduled to meet for the fourth time in Washington, D.C. Proposed agenda items include: (1) Signing a bilateral Customs mutual assistance letter of understanding; (2) Implementation of a plan to reconcile differences in trade statistics; (3) Discussion of the Customs role in export control; (4) Comparison of U.S. & Japanese systems of delegation to customs officers of the authority to inspect cargo on behalf of other agencies. (This is a major non-tariff trade barrier in Japan.); and (5) Other areas of mutual interest.

Question. What is the status of the implementation of the various international agreements involving Customs issues; i.e., Kyoto and Nairobi Conventions, etc.?

Answer. On June 21, 1983, the Senate gave its advice and consent to U.S. accession to the Kyoto Convention and to 20 of its 30 Annexes. The instrument of accession was deposited with the Customs Cooperation Council on October 28, 1983, and the Kyoto Convention became effective for the United States three months from that date. The Nairobi Convention is presently at the State Department, and we hope it will be forwarded to the Senate for advice and consent in the near future. The Kyoto Convention is an agreement containing standards and recommended practices for major customs procedures. The Nairobi Convention is a multilateral mutual assistance agreement on Customs enforcement matters.

These two Conventions do not require any implementing legislation or regulatory changes. Both of these Conventions are made up of annexes which can be individually accepted depending on the legislative situation of the adhering country. Further, the Kyoto Convention allows reservations to be filed against unacceptable provisions in each annex. The annexes to be adhered to for both conventions and the reservations to be entered under the Kyoto Convention have been specified.

Question. What is the status of the Administration proposal to raise the ceiling level for informal entries from $250 to $2,500 for all imports except textile materials? Has Customs revised its policy concerning informal entries of textile materials.

Answer. The Administration's proposal is being modified to provide for an initial ceiling of $1,000 and a maximum ceiling of $2,500. To increase the ceiling beyond $1,000, the joint approval of the Secretaries of Treasury and Commerce would be required. Customs has not revised its policy concerning informal entry to textiles. Our new legislative proposal, like H.R. 3398, maintains the $250 ceiling on informal entry of textiles.

Question. Provide the rationale behind the directive to waive certain minimum duty and tax collections. Is an estimate available on potential cost savings from this procedure?

Answer. The Customs Service directive to waive minimal collections at airports was designed to accomplish three objectives: the elimination of collection transactions that are not cost-effective to process; the improvement of enforcement results at airports; and the facilitation of the honest traveler, particularly during peak arrival periods. Although revenues from passenger baggage had traditionally been low (1/10th of 1 percent of all Customs collections), the number of transactions necessary to make these collections was continuing to rise (over 1.5 million in fiscal year 1982).

At the busiest airports, the full cost to process a collection ranges from approximately $2.00, under optimum conditions, while at the smaller airports this figure can be as high as $10.00 depending on a variety of factors such as overtime. Therefore, it was clear that we had to decrease the number of minimal collections that were not cost-effective to process and use the time savings to inspect additional travelers and screen high-risk individuals more thoroughly.

The results of this policy have met our objectives. First, we have reduced baggage collection transactions at airports by approximately 50 percent. While the average collection waived is about $4.00, the majority are less than this. The inspectional time savings in not pursuing these minimal collections has been used to increase productivity. Examples of this increased productivity are significant improvements in passenger facilitation and enforcement results at our major airports, such as our two largest gateways, New York's JFK and Miami International. Although this policy has not reduced full-time inspector positions at airports, it has made our airport operations more effective by redirecting resources to our highest priority-narcotics interdiction. Approximately $150,000 in cashier overtime cost savings per year will also be realized. In addition, total revenues from baggage collections actually increased in fiscal year 1983, despite the 50 percent decline in transactions at airports.

Question. What is the current status of the Section 592 mitigation guidelines?

Answer. The Notice of Final Rulemaking concerning 592 guidelines was published in the Federal Register on January 13, 1984.

Question. Please provide an update on the issue of Customs enforcement and the operation of duty-free stores.

Answer. Customs published a proposal in the July 1983 Federal Register to abolish all or some duty-free stores, or require them to deliver their goods to purchasers beyond the exit point from the United States, or establish regulations to better administer them. The proposal drew almost 1,000 comments, the vast majority opposed the abolition of duty-free stores.

Customs has decided not to abolish duty-free stores. Rather, we propose to require all new duty-free stores to deliver their goods to purchasers beyond the exit point, and to challenge existing duty-free stores to make an effort to do the same. Also, we propose to establish regulations to assure that duty-free store goods are not illicitly diverted into U.S. commerce, smuggled into foreign countries, sold otherwise than for exportation for personal use while abroad, or sold to minors.

Question. Describe Customs role and responsibilities relating to the 1984 Summer Olympics in Los Angeles.

Answer. Customs role will be to insure that the additional workload does not result in facilitation or security problems at Los Angeles, or any other port. The threat to arriving visitors, the Federal inspection personnel and facilities, and the Olympics themselves is heightened because of past world-wide attempts of international terrorist groups. Such groups target events like the Olympics in order to bring notoriety to themselves and their causes. It is estimated that Los Angeles will experience an additional 15-20 percent workload increase during the peak summer tourist season. Los Angeles, however, will not be the only major airport to be impacted by this influx of Olympic visitors. Customs expects J.F.K., San Francisco, Chicago, Miami, Honolulu and Houston to have 10-15 percent increases in passenger and cargo traffic.

We plan to provide sufficient manpower and equipment to insure orderly passenger flow with minimal delay, while maintaining the best possible enforcement security. To achieve this result, Customs will be operating in a brand new international facility, the new West Terminal which will be completed in the Spring of 1984. This terminal will have 72 primary positions which will approximately double our present capacity; 31 new inspector positions have been dedicated to Los Angeles to handle existing workloads. In addition, Customs will be operating two other international clearance facilities, Satellite number two and Satellite number five.

Furthermore, Customs will be implementing an integrated operation encompassing security and law enforcement, which incudes 100 inspectors, 60 patrol officers, 20 special agents, 17 communications specialists, and four explosive detector dog teams.

This international event will attract thousands of foreign athletes and hundreds of thousands foreign spectators. Furthermore, it can be expected that various important heads of foreign governments will come to the event. All foreign visitors and participants, as well as the equipment they bring, will be processed by U.S. Customs through various ports of entry. The strategy, briefly described above, adopted by the Customs Service will insure the safety of all participants involved and the best possible enforcement of U.S. Customs laws.

Question. Describe Customs current role in the enforcement of textile import quotas. Has Customs strengthened its enforcement in this area?

Answer. The Customs Service has established textile fraud teams in all major ports of entry with import specialists, agents and inspectors dedicated to uncovering textile fraud. Control of informal entry procedures has been tightened to reduce visa and quota circumvention. With the implementation of the Taiwan Automated Visa Verification System in October 1983, the use of counterfeit visas to enter merchandise has been eliminated. This program will be expanded to other countries. Customs will also report the visa number to the Commerce Department to enable that agency to improve its control over textile imports.

Question. Explain how the interim regulations implementing the Caribbean Basin Recovery Act will ensure maximum compliance with the Rule of Origin requirements in the Act?

Answer. The interim regulations to implement the duty-free aspects of the Caribbean Basin Economic Recovery Act, also referred to as the Caribbean Basin Initiative or CBI, require the submission of a declaration of the manufacturer or exporter setting forth all facts necessary to demonstrate compliance with the rules of origin contained in the Act. A basis for enforcement is provided by a requirement that the importer or consignee endorse the statements made on the declaration. The regulations also authorize whatever steps may be necessary to verify the evidence of country of origin submitted by the importer.

Question. How may FTZ's be utilized with respect to incorporating good value added under the 35 percent content rule?

Answer. In principle, foreign trade zones may be utilized in the following manner to add value for purposes of the 35 percent value-added requirement: (1) up to 15 percent of the appraised value of the imported article may consist of materials produced in the U.S. and added to the article in an FTZ, and (2) any portion of the 35 percent value requirement (costs of materials and direct costs of processing operations) may be added in an FTZ located in Puerto Rico.

Question. Are Caribbean Basin articles brought into FTZ's considered direct imports under the statute? Are there instances where some zones are not considered to be within the Customs territory and, therefore, U.S. materials value added could not be incorporated in the CB products?

Answer. There is a substantial legal question concerning whether articles which pass through an FTZ immediately prior to entry are considered to be imported directly under the CBI statute; this question is currently under legal review and a final Customs position as concerns the CBI has not been taken. Under the Foreign Trade Zones Act (19 U.S.C. 81a-81u), all FTZ's are considered to be outside the Customs territory of the United States, and it is in this context that the question of direct importation into the Customs territory of the United States (as required by the CBI Statute), vis-a-vis addition of value in an FTZ, arises.

Question. How does Customs define cost or value of materials produced in the Customs territory?

Answer. The cost or value of materials produced in the Customs territory of the United States is defined as the actual cost to the manufacturer for those materials, which would include all expenses incurred in the growth, production, or manufacture of the material, an amount for profit, and freight, insurance, packing and other costs incurred in transporting the material to the manufacturer's plant. Materials are considered to be produced in the Customs territory of the United States (which includes the 50 states and the District of Columbia but in this context not Puerto Rico and, perhaps, not an FTZ) if they are either (1) wholly the growth, product, or manufacture of the Customs territory, substantially transformed there into new and different articles of commerce. The rules are the same as in the case of materials produced in a CBI beneficiary country.

Question. In view of the recent GAO Report, describe what steps Customs has taken regarding the problem of "peaking" at international airports.

Answer. The recent actions by Customs to improve overall faciliation at airport Federal inspection facilities have also lessened congestion and expedited travelers during peak flight arrival periods. As noted previously, our continuing emphasis on selectivity using innovative inspection methods such as observational profiles and stress analysis, the implementation of one-stop and red/green processing systems at major gateway airports, the waiving of minimal collections and a simplified Customs Declaration have all contributed to the more expeditious processing of international travelers during the past year.

In specific response to the GAO Report, "A Strategy Is Needed To Deal With Peaking Problems At International Airports" Customs has agreed to work closely with the Immigration and Naturalization Service (INS) and the Animal and Plant

Health Inspection Service (APHIS) when granting or denying landing rights. Also, Customs and INS are cooperating in the development of a computerized model that can forecast capacity limits of the FIS areas at major airports. By establishing capacity limits, we will be able to clearly demonstrate the need for scheduling modifications on the part of the carriers.

It is important to note that the problem of peaking has existed for a number of years. The transportation industry's answer is faster processing and more Federal staff. Recent efforts by this Service to negotiate adjustments to arrival times under our landing rights authority have met with stiff resistance from airline industry as well as local, state, and Federal representatives. Everyone agrees that larger facilities and additional staff are not the answer. However, there seems to be little incentive for the carriers to adjust schedules in order to reduce congestion and speed the international traveler. We are not optimistic that a viable solution acceptable to all parties will be developed in the near future.

Question. What is the exact status of the value investigation being conducted by the Customs Service on NIKE Footwear? When is a final determination expected and what is the cause for delay?

Answer. The value investigation conducted by the Customs Service on NIKE Footwear has been completed.

Final determination on the matter is expected in the near future.

The delay in arriving at a final decision with respect to determining component material of chief value of NIKE Footwear is due primarily to the complexity of the subject matter. Also, NIKE officials have requested extensions of time to submit requested information.

Question. What part of fiscal year 1985 Customs budget is earmarked for export enforcement? List in detail any new equipment expected to be purchased.

Answer. Current plans are to fund the export enforcement program at a level of $16 million in fiscal year 1985. Customs fiscal year 1985 EXODUS expenditure tentatively will allocate less than 10 percent of the total funds for capital procurement. The specific purchases planned for fiscal year 1985 include additional taggants and sensors for the classified RAMPART project, and a small quantity of technical surveillance equipment. Customs' requirements for capital equipment to support EXODUS in fiscal year 1985 are projected to be extremely small—except for RAMPART—due to the substantial purchases made during fiscal year 1982 through 1984.

Question. How many detentions have been made under EXODUS in 1983, by exit port?

Answer. See attached statistical report.

Fiscal Year 1983 Command Center EXODUS Statistics, Referrals From Field Offices

Port:	*Detentions*
Albuquerque	1
Anchorage	2
Atlanta	65
Baltimore	50
Blaine	5
Boston	110
Buffalo	39
Brownsville	10
Calexico	6
Charlotte	1
Chicago	205
Cleveland	42
Cincinnati	3
Charleston, SC	64
Dallas	128
Dulles	121
Denver	14
Douglas	1
Detroit	42
Eagle Pass	2
El Paso	12
Hidalgo	14
Honolulu	14
Houston	86
Port Huron	2
Highgate Springs	13
Indianapolis	2

JFK	882
Jacksonville	28
Kansas City	8
Los Angeles S/P	89
Laredo	24
Little Rock	2
Los Angeles A/P	339
Miami	257
Mobile	12
Minneapolis	34
Nashville	3
Norfolk	9
Nogales	26
New Haven	5
Newark	135
New Orleans	87
Derby Line, VT	1
NY Seaport	69
Ogdensburg	3
Orlando	13
Pittsburgh	3
Philadelphia	99
Portland	24
Puerto Rico	2
Rouses Point	61
San Antonio	8
San Diego	40
Seattle	38
San Francisco	106
San Juan	8
Yuma	5
Spokane	1
St. Louis	4
Savannah	21
Tampa	56
Tacoma	1
Tucson	2
Wilmington	14
Total	3,513

Question. What percentage of detentions are discovered to be in violation of the Act? What kinds of violations occur most often (incorrect licenses, attempts to transport critical technology without a license, etc.)? How may indictments and convictions have resulted from EXODUS?

Answer. Since the inception of Operation EXODUS Command Center on January 27, 1982, there has been a total of 7614 detentions of export shipments under the supervision of the Customs Service. Of those shipments detained, 2805 or 36.84 percent were ultimately seized for violation of export laws.

Investigations resulting from Operation EXODUS activities have shown that the violations of the Export Administration Act most often occurred as a result of an attempt to export critical technology either without a license or without a proper license. A few recent major investigations have indicated that validated export licenses had been acquired from the Department of Commerce and the shipments were either diverted or attempts were made to direct the shipment from other than the end user location indicated on the license.

Since the inception of Operation EXODUS to the present there have been 221 grand jury indictments and 276 convictions for violations of the export laws.

Question. What is the average length of detention time?

Answer. The average time frame for a licensing determination from the Department of Commerce covering the period from October 1, 1983, to January 13, 1984, was 20.55 days.

The average time frame for a licensing determination from the Office of Munitions Control covering the period from October 1, 1983, January 13, 1984, was 14.06 days.

The above mentioned time frame includes that time during which the exporter is requested to send specifications to the licensing officer; the time it takes for the li-

censing officer to receive the specs and sometimes a request for additional (more sophisticated and detailed) specs and the initial and secondary review.

The licensing review varies from simple electronic engineering items which take a few days to be handled, to more complex multipurpose merchandise which have military as well as commercial potential. These latter items may take weeks to evaluate by the Capitol Goods Section of Department of Commerce.

Question. Briefly describe any operational or inter-agency difficulties in the Operation EXODUS program. Are excessive delays still being caused by lack of access to Department of Commerce files on export licensing information?

Answer. Customs continues to experience several problems which appear to be impeding effective EAA enforcement. These problems are in the areas of timeliness of response by Commerce in licensing determinations, lack of coordination of investigations and Commerce's interpretation of Section 12(c) of the EAA.

Basically, Commerce's licensing determination process is slow and creates delays for legitimate exporters. Commerce has recently offered to send licensing officers to various field locations to make licensing determinations on-site. While this would assist in decreasing the backlog of delays to some extent, we believe that the backlog could be more expeditiously handled if more resources were allocated to the Commerce licensing division in their headquarters. Responsibility for the licensing process lies wholly within the jurisdiction of the Commerce Department and while Customs has made suggestions to improve the licensing process, no changes have been effected in this area.

The time required to obtain a licensing determination from Commerce ranges from a few days to a few months, thereby creating delays for exporters. The reason for such a disparity lies in the sophistication of the technology under consideration rather than with any fault of Commerce. (Less sophisticated items require less time to make a determination and vice versa.) Such delays affect many of our export investigations, as well as affecting the exporter whose shipment is being delayed. While this would assist in decreasing the backlog of delays to some extent, it would appear matters could be more expeditiously handled if more resources were allocated to the Commerce licensing division in their Headquarters.

Commerce files on export licensing information are available to Customs on a case-by-case basis. While complete access would allow us to develop better violator profiles and target selection criteria, EXODUS continues to be a success. In the area of investigative coordination, Customs received almost no information from Commerce unless it becomes patently clear that we are both working on the same case. These restrictions apparently stem from Commerce's strict interpretation of Section 12(c) of the EAA.

Question. What is the total number of agents and inspectors that have been assigned to the EXODUS program in 1983 and at which ports and districts?

Answer. The following two charts were prepared in response to this issue. Chart (A) gives a breakdown of the location of 292 customs staff members assigned to EXODUS. Chart (B) lists the EXODUS ports, all of which have a designated port coordinator for EXODUS inquiries. The locations which do not have a coordinator physically present are indicated by an asterisk.

It is important to recognize that the 292 positions shown in Chart A only include personnel 100 percent dedicated to the EXODUS effort. At any given time, there will be additional special agents, inspectors, communications officers, intelligence officers and support personnel working on EXODUS matters in the field who are not included in the 292 figure. Thus, the total staff-years expended on EXODUS during a given fiscal year will substantially exceed 292.

CHART (A)

[Distribution of Exodus positions]

	NE	NY	SE	SC	SW	P	NC
Port coordinator	4	3	8	2	4	8	5
Criminal investigator	6	6	5		7	14	5
Inspector	13	14	20	3	16	29	17
Investigative assistant	1	5	1		3	6	1
Import specialist	2	4	1		2	4	1
R&D specialist		2	2			2	
Clerical support	1	3	1		1	3	2
Total	27	37	38	5	33	66	31

HEADQUARTERS

Inspection and control	4
Enforcement	25
Overseas	26
Total	55
Regional total	237
HQS total	55
Total Exodus	292

NE (Northeast—Boston).
NY (New York).
SE (Southeast—Miami).
SC (South Central—New Orleans).
SW (Southwest—Houston).
P (Pacific—Los Angeles).
NC (North Central—Chicago).

CHART (B)

EXODUS PORTS

Northeast Region: Boston, Buffalo, Baltimore, Philadelphia, Rouses Point.
New York Region: Seaport, JFK Airport, Newark.
Southeast Region: Miami, Charleston, Atlanta, Savannah, Wilmington, Jacksonville, Norfolk, Dulles Airport, Tampa, Old San Juan, Tallahassee, Charlotte.
South Central Region: New Orleans, Mobile.
Southwest Region: Houston, Dallas, El Paso, Nogales, Laredo, Brownsville, Tucson.
Pacific Region: LA Seaport, LA Airport, San Francisco, San Diego, Portland, Seattle, Blaine, *Anchorage, Honolulu, *Calexico.
North Central Region: Chicago, Detroit, *St. Louis, Minneapolis, *Pembina, Denver, Cleveland.

Question. Describe the terms and conditions of the new Memorandum of Understanding between the Department of Commerce and the Customs Service.

Answer. Preliminary meetings between Commerce and Treasury (Customs) regarding implementation of the MOU have been held. Resolution of some of the remaining issues of contention is expected by mid-February 1984.

In addition, the MOU has been distributed to all U.S. diplomatic posts abroad and all ten Customs foreign offices are actively involved in the enhancement of cooperation between the agencies.

The primary points of significance are listed below:

The MOU deals only with enforcement abroad and not with other issues.

Both agencies must advise each other of current case activity abroad.

Commerce shall notify Customs Headquarters when it desires to conduct an EAA investigation overseas and provide such information regarding the investigation as Customs needs to fulfill its liaison function.

When Commerce uncovers evidence pertaining to a Customs investigation or if during the course of a post-shipment verification outside the United States evidence or information of a violation is uncovered, Commerce shall notify Customs.

When Customs uncovers evidence or information pertaining to a Commerce investigation, Customs will notify Commerce.

The MOU shall not interfere with the authority of Commerce to communicate with foreign ministries and departments concerning matters of international export control enforcement policy. Customs should be consulted prior to such contracts when Customs interests in foreign export law enforcement are directly involved.

Unresolved disputes resulting from implementation of the MOU shall be referred to a committee consisting of the Assistant Secretary of Commerce for Trade Administration and the Assistant Secretary of Treasury for Enforcement and Operations.

Question. How are shipments inspected under the EXODUS program? What criteria are used in selecting shipments for detention or further investigation? How many investigations were initiated under EXODUS as a result of "tips" or information provided by other enforcement agencies?

Answer. Examination of export cargo begins with scrutinization of documentation associated with the shipments. Inspectional personnel review vital data contained on the shipping documents (i.e., airway bill, ocean bill of lading, etc.), invoices prepared by the exporter or manufacturer and the Shipper's Export Declaration. By profiling these items in accordance with established EXODUS team procedures, identification of suspect shipments can be readily made and a physical inspection of the commodity will ensue.

Criteria used in selecting shipments for examination include, but are not limited to the following: conflicting, misleading or inaccurate information on shipping documents; through experience, the inspecting officer recognizes a commodity which requires a validated license; the exporter/manufacturer is of record with Customs as a prior violator; the shipment is destined to a country utilized by the Chinese to Soviet bloc for transshipment or diversion; suspect carrier; a low declared value commodity which is obviously over-insured; prior information; and local area profile.

Criteria which could trigger an investigation include the following: manufacturer/exporter with known criminal history; detention/seizure of strategic commodities which could adversely impact national security; attempted shipment in violation of embargo sanctions that could jeopardize our established foreign policy; an obvious willful attempt to illegally export; local area profile.

Investigations are initiated in numerous ways including information from confidential informants, intelligence from the law enforcement community and foreign governments, routine examination of exporter records, covert "sting" operations whereby undercover agents and informants provide a mechanism for willful violators to achieve their goals and through identification of high technology items which have been disguised as commercial items requiring no special licensing.

Question. How would you describe the cooperation and coordination between Customs and other enforcement agencies, including Commerce, charged with enforcing export control laws?

Answer. Customs is responsible, through delegation, for enforcement of the nation's two major export control laws: the Arms Export Control Act and the Export Administration Act.

Teams of Customs special agents are assigned to the Department of Commerce, Office of Export Administration and the Department of State, Office of Munitions Control. The Customs personnel, in a coordinated effort with the respective Department personnel, provide vital information and intelligence utilized by the EXODUS Command Center and EXODUS field teams.

In addition, Customs has a history of successful coordination and cooperation with the Department of Justice, other enforcement agencies and the intelligence community who, in various degrees, are charged with supporting or enforcing aspects of export control.

Presently the Treasury Department is discussing several coordination areas with the Department of Commerce that need improvement. The topics of discussion are: access to EAA Section 12(c) information; licensing determinations and procedures; and, more specific mutual guidelines to preclude duplication of effort. A memorandum of understanding dealing solely with foreign investigations of export control laws, was recently agreed to by Customs and Commerce.

Question. What kind of computerized data are you unable to get from the Commerce Department that you feel you need to improve your performance and efficiency under the EXODUS program? Why is this information needed and how is it to be used?

Answer. *Access to Records*

Customs has formally requested access to the following Commerce files: (1) *Computerized licensing files* which includes granted, denied or returned without action; (2) Licensing screen which contains the *names of suspect firms/individuals* suspected of violating the export laws; and (3) *Intelligence/Investigative files* which contain all *enforcement information received* or developed by the *Office of Export Compliance.*

Currently *our access to these files is on a case-by-case basis.* We make specific requests and are provided that information currently being maintained in the files identified above.

It is our view that we would benefit substantially if we were given unlimited access to Commerce's non-investigative files (computerized licensing files) for intelligence and investigative purposes.

Additionally, Customs is attempting to gain access to Bureau of Census files on Shipper's Export Declarations (SEDs), but we are encountering reluctance due to the confidentiality provisions afforded SEDs. This information is essential in order for us to conduct meaningful analyses of the ports where technology is being exported, the quantities and description of technology being exported at these ports and the exporters effecting these exportations.

Question. Has the Customs Service introduced computers into the field to assist inspectors in identifying licensable shipments?

Answer. Yes. The Customs Service is using high technology in the form of sophisticated ADP hardware and communications equipment to counter the illegal transfer of U.S. manufactured critical technology to the Soviet bloc and other adversary nations.

In April of 1983, the EXODUS Command Center at Headquarters, Washington, D.C., automated its manual tracking files. At the present time, all field referrals to the Command Center during fiscal year 1983 and fiscal year 1984 are captured in our data base. Fiscal year 1982 records are in the process of being entered into the system. The automated records consist of specific information relating to technology which has been detained. Identifying data pertaining to the exporter, manufacturer, freight forwarder, carrier, commodity and value, port, consignee and country of destination are included in these records. Of significant value in this data base is the licensing determination made by the Department of Commerce or the Office of Munitions Control as to whether the detained technology required a validated export license or was determined to be general destination (uncontrolled) technology. The data base thus serves as a historical record to field inspectors for indentical or similar merchandise shipped to a given country. Many items of suspect technology subject to detention are quickly released when an inspector is made aware that a previous detention of suspect technology did not require a license. The EXODUS Command Center data base is thus able to facilitate trade by providing a record of previsous licensing decisions.

Using fiscal year 1983 funds, seventy minicomputers have been procured for distribution to our field inspectional personnel. These minicomputers will be loaded with data to assist the inspector in determining which items of technology should be subject to detention. Additionally, sophisticated computers with a tempest rating (secure from outside interception) have been procured for distribution to our field investigative offices. This equipment will allow for the instant transmission of classified intelligence for use in criminal investigations. Tempest secure facsimile machines have also been procured for distribution to field offices for the transmission of classified data.

Question. What efforts were being made in 1983 to better educate Customs inspectors to recognize those particular exports which may be in violation of the export laws? What coordination is done with the Commerce Department to improve the ability of Customs agents to identify critical or high technology equipment once defined as requiring an export license?

Answer. The level of expertise for inspectional personnel in EXODUS positions has been increased through several different training programs. There have been seminars at the regional and district levels as well as on site training at selected high risk locations. Export control training has been included in the basic inspector's course and advanced export control training at Glynco, Georgia. We have also established a quarterly course at the FLETC specifically for EXODUS training of inspectors assigned to the program. In addition to these formal training programs, our EXODUS port coordinators are respnsible for continously updating the training of individuals assigned to the EXODUS teams at the individual ports.

We have also contracted contracted for technical support services focused on the identification and prioritization of that U.S. manufactured technology most desired by the Soviet bloc. The resulting information will be made avaiable to Customs' enforcement personnel in the field through an automated data base accessed by commodity, type, manufacturer, model, part number, etc.

Customs targeting efforts are independent of the Commerce Department. However, Commerce maintains and publishes the Commodity Control List which is used for guidance by Customs and the exporting public as to which exports are controlled.

Question. What kind of information is Customs providing to exporters to assist them in meeting all export regulations and requirements and in acquiring proper documentation?

Answer. In administering the Export Administration Act, the Commerce Department has provided the exporting public with excellent publications detailing the mechanics of exporting. The publications explain U.S. Government export regulations

and indicate what documentation is required in order to export goods. The Customs Service developed a video film, in addition to a pamphlet, explaining Operation EXODUS, its results, and how U.S. business can assist. In addition to publications that assist exporters in meeting export regulations and requirements, representatives from the Customs Service have attended meetings and made presentations before numerous high technology manufacturing and exporting associations. Future conferences with manufacturers and exporters are being planned at both the Headquarters and field levels.

Question. Is there a mechanism for receiving and processing complaints about delays in verification of the validity of export shipments, sharing such information with the Commerce Department, and resolving problems? Do exporters feel that they will be singled out for repeated inspections if they complain?

Answer. Written complaints regarding delays in verifying the status of export shipments, upon receipt by the Customs Service are transmitted to the Strategic Investigations Division for review and appropriate responses. The Operation EXODUS Command Center furnishes a complete chronological history of all export shipments relating to the shipper. Customs is able to quickly notify the complainant as to the specific date on which the technical specifications relating to the detained merchandise were transmitted to the Department of Commerce for a licensing determination.

Customs makes every effort to furnish the Department of Commerce with copies of responses to complaints.

Telephonic complaints and personal visits to the Operation EXODUS Command Center are handled on-the-spot.

The U.S. Customs Service has received no indication that exporters feel they will be singled out for repeated inspections if they should complain. Such a practice by this service does not exist and would never be tolerated.

The Strategic Investigations Division is currently reviewing all congressional inquiries relating to Operation EXODUS in an effort to identify common problems and take appropriate steps to facilitate trade without jeopardizing the security of the United States.

Question. Explain the circumstances under which a Customs agent would not be able to detain and inspect an export shipment without first obtaining a search warrant. What kind of searches do Customs agents now perform, or might be expected to perform, under the EXODUS program that would always require a warrant?

Answer. There have been several judicial decisions regarding the necessity for a search warrant in order to search a shipment intended for export.

These decisions have generally held that the process of exportation begins (1) upon entrance of an article into the export stream, i.e., delivery by the exporter to a freight forwarder or exporting carrier, (2) where the exporter tells the shipper that the ultimate destination of the article is outside the U.S., and (3) the exporter indicates no intention of stopping the shipment from proceeding. If these three conditions are met, then the Customs officer is not required to obtain a search warrant in order to search the shipment.

In some instances, information may be received that the exporter is intending to illegally ship an article by an unknown and/or clandestine method and it is necessary to effect an immediate seizure for national security and/or evidentiary purposes. In these cases a search warrant is required to both enter the exporter's premises and to effect the seizure.

Question. What funds are expected to be transferred to Customs from the Department of Defense or Commerce, or other agencies for use in the EXODUS program?

Answer. None. The EXODUS program is funded solely from the Customs Service appropriation.

Question. The Administration has stated that there are no budget implications from the proposed consolidation of the INS inspection functions with the Customs Service inspection functions. Yet, your 1985 request reflects a reduction of 1,000 inspectional and patrol positions. Is the Administration indirectly proposing the transfer of all law enforcement from the Department of the Treasury to the Department of Justice?

Answer. No. The fiscal year 1985 budget was prepared in accordance with Department and OMB guidance which did not include any plans to implement the proposed INS/Customs consolidation.

Question. Even if the total hiring freeze which I understand Customs has imposed remains in effect through September 30, will it not be necessary for Customs to effect a massive reduction-in-force in order to meet the reductions reflected in its 1985 appropriations request?

Answer. The hiring freeze which is now in effect was imposed to enable Customs to meet fiscal year 1984 budget constraints. It is anticipated the freeze will be lifted for the second half of fiscal year 1984. This means that a significant portion of the fiscal year 1985 reduction will be accomplished by a reduction-in-force (RIF) to occur on October 1, 1984. Each month the RIF action is delayed increases the number of employees affected.

Question. Will any of Customs regional, district, or port offices have to be closed to meet fiscal year 1985 requested funding levels? If so, which ones?

Answer. Customs reorganization plans for fiscal year 1985 include the consolidation of the Northeast Region with the New York Region, and the consolidation of the South Central Region with the Southeast Region. In addition, the following districts are being considered for consolidation in fiscal year 1985; however, the specifics of these consolidations have not been determined: St. Albans, Bridgeport, Providence, Wilmington, Mobile, Dallas/Fort Worth, Port Arthur, Milwaukee, Duluth, and Portland, Oregon.

There are no plans to close any port offices in fiscal year 1985.

Question. It is my understanding that the Customs Service has recommended to the Treasury Department that Section 133.21 of the Customs Regulations, regarding trademarked imports, and policy of permitting entry of trademarked goods where owned or controlled by the foreign manufacturer. is this amendment proposed and on what grounds was this recommendation based? What is Customs' current position on this recommendation? What is Treasury's current position on it and that of other federal agencies? What is the status of the recommendation?

Answer. The statutory authority for the Customs Service to prevent entry of trademarked goods without the permission of the U.S. trademark owner is provided by 19 U.S.C. 1526. This statute contains no indication that the protection it provides should be denied to an U.S. trademark owner because of its relationship to the foreign producer of the trademarked goods.

Notwithstanding the language of the statute, under its present interpretation of 19 U.S.C. 1526, the Customs Service permits the unrestricted importation of articles bearing genuine trademarks applied overseas by firms related to the U.S. trademark owner (T.D. 69012 (2)). A change in Customs' current practice is contemplated, so that companies affiliated with foreign manufacturers who record their trademark registrations with Customs could bar anyone else from importing those same trademarked articles (commonly referred to as parallel distribution of grey market goods), thus preserving the integrity of their trademarks. On April 2, 1983, the Customs Service sent a draft Federal Register notice of proposed change of position and rulemaking to the Treasury Department to begin the process of changing the Customs Regulations. The language in the draft proposal is not subject to disclosure pursuant to the Freedom of Information Act (5 U.S.C. 552). The Treasury Department and the Customs Service have received hundreds of Congressional inquiries and other requests for information from importers of "grey market" merchandise and trademark owners. It became apparent that interest in this proposal crossed agency lines. Accordingly, a decision was made to refer the matter to the Cabinet Council on Commerce and Trade (CCCT) for a recommendation regarding publication (or non-publication) of a Federal Register notice. At a recent meeting of the Working Group on Intellectual Property of the CCCT, is was recommended that the Treasury Department publish a "Request for Information Regarding Parallel Imports" in the Federal Register. Questions to be included in the Federal Register were submitted by representatives of four agencies who attended the meeting. The questions are intended to solicit "hard economic data" on the "grey market" from the public. The economic data is needed by the CCCT in reaching their decision regarding the possible publication of a notice of proposed rulemaking.

Question. Is it not true that, if this change were made, it would, in effect, make the United States an island of high prices in a worldwide sea of lower prices for their goods? Is this, in your opinion, good trade policy for the U.S. Government to be implementing? If so, why?

Answer. Any action the U.S. government takes to protect trademark rights puts the trademark owner in a stronger position to control the price of his brand of products, so it is true that the proposed regulation change, by limitng intrabrand competition, could result in higher prices for that brand of product. However, the prices of other trademarked brands of that product would not be affected by the regulatory change, so that interbrand competition would not be affected. Indeed, interbrand competition might be enhanced, because the protected trademark owner would have greater incentive to provide consumer information through advertising and other sales promotion activities; to establish more extensive warranties; and to initiate quality-assurance programs, such as open-dating and shelf-stock rotation.

Question. Is it not true that foreign manufacturers have an adequate remedy if they do not want their trademarked goods to enter the United States except through their own American affiliates? That is, cannot the manufacturer control its distributors abroad and enforce whatever conditions and restrictions it wishes with regard to resale abroad to "unauthorized" distributors?

Answer. It would be extremely difficult for foreign manufacturers or distributors to control the activities of their customers. First, it may be secondary purchasers, rather than the customers of the foreign trademark owner, who re-sell the trademarked product into the United States. Second, the foreign trademark owner may not be able to obtain legally adequate proof that its customers are violating contractural restrictions on resale. Finally, the foreign trademark owner may not be able to get enforcement of his contract rights in the courts of the country in which his customer is domiciled.

Chairman GIBBONS. We have received a very interesting report from Congressman Dingell, the chairman of the Energy and Commerce Committee, his Oversight Subcommittee report. And I would ask unanimous consent now that Mr. Dingell's statement addressed to this hearing be admitted as a part of the record at this time.

Without objection, Mr. Dingell's report is entered.

[The statement of Mr. Dingell follows:]

STATEMENT OF HON. JOHN D. DINGELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN, AND CHAIRMAN, COMMITTEE ON ENERGY AND COMMERCE

As you may be aware, the Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce has been conducting a year-long investigation into the impact of unfair and illegal foreign trade practices on interstate commerce. While our investigation is not complete, we have thus far held five days of public hearings which have produced over one thousand pages of sworn testimony. Two additional days concentrating on the problems of fraud in the textile and apparel field are planned for later this month.

During the course of this investigation, the Subcommittee staff has interviewed hundreds of individuals, including many Customs line personnel. Import specialists, inspectors and special agents from the ports of Los Angeles/Long Beach, San Francisco/Oakland, Seattle/Blaine, Chicago, Detroit and Baltimore have testified before the Subcommittee to date. Additional interviews have been conducted in the ports of Newark, New York, Miami, Pittsburgh and even overseas.

In October, a staff delegation traveled to Taiwan, Macau and Hong Kong to gather facts relevant to the Subcommittee's inquiry into the extent of commercial counterfeiting of U.S. trademarks, copyrights, patents and tradedress. During that visit, interviews were conducted with U S. Customs personnel assigned to the consulate in Hong Kong.

The Subcommittee staff has worked closely and cordially with Customs officials assigned to the Commercial Fraud Center at Customs headquarters, commonly referred to as "Operation Tripwire."

In addition to information gathered from Customs officials in Washington and the ports mentioned above, we have had extensive discussions and some public testimony from government officials from the Departments of Justice, Treasury, Commerce and State, the Federal Bureau of Investigation, several Assistant U.S. Attorneys, the Office of the U.S. Trade Representative and the International Trade Commission.

The private sector, including representatives of U.S. and foreign concerns in the Far East, has been consulted heavily during this investigation. These individuals have a detailed, working knowledge of the capabilities of Customs in various p-orts and overseas.

The staff has also held discussions with officials of the National Treasury Employees Union (NTEU), the bargaining agent for most employees of the U.S. Customs Service. These interviews have involved NTEU officials here in Washington and at several ports around the country.

Virtually all these sources agree on one essential fact: current staffing levels at the Customs Service are in no way adequate to control commercial fraud. This situation exists despite the fact that the Customs Service employs a number of individuals who can only be described as among the most dedicated and informed civil servants in the U.S. Government.

Despite this serious problem, which costs the American economy many billions of dollars in revenues and hundreds of thousands of jobs, the President's budget released last week again proposes a large cut in the funding of the Customs Service.

Instead of a cut, the authorized level of funding for the U.S. Customs Service should be increased by at least $29 million with that increase dedicated to combating commerical fraud. This increase would be on top of the fiscal year 1984 base rather than the proposed cuts. Before proceeding with an itemized list of how this additional money could be spent, let me share some examples of the dimension of the commercial counterfeiting problem.

A report issued late last week by the International Trade Commission (ITC) estimates that in 1982, U.S. companies suffered nearly $5.5 billion in lost sales because of counterfeit foreign products. The ITC estimated that this cost about 131,000 jobs in the United States. The survey covered only trademark infringements in five industry groups. It did not include copyright or patent violations, nor did it cover tradedress, passing off and gray market sales. Thus, as noted by the ITC, "the questionnaire data must be viewed as representing a minimum for each industry."

In a recent speech before the International Anti-Counterfeiting Coalition, William Von Raab, Commissioner of Customs, stated that total lost sales to U.S. firms from all forms of counterfeiting may total $20 billion.

Testimony before the Oversight and Investigations Subcommittee last summer revealed that the problem of foreign counterfeiting extends beyond lost capital and jobs. The health and safety of the American public, who rely on the quality control implicit in American brand name products, is threatened. The counterfeiting of automotive parts has reached epidemic levels. Included are many substandard parts which can turn cars into death traps.

Both pharmaceutical and over-the-counter drugs are counterfeited. These preparations are dangerous in two ways. Lack of quality control results in impure drugs. Even where such medicines are not *per se* dangerous, the consumer is often deceived into believing he is being properly treated and thus may permit the illness to become far more serious.

Aircraft parts, heart pumps, missile components and even transistors in the space shuttle have been found to be counterfeit, although it is not clear whether or not these defective copies came from offshore sources.

Even products such as counterfeit computers almost uniformly do not meet FCC standards and thus pose fire and electrical shock hazards.

While there is no evidence of a problem in the United States as yet, counterfeit agricultural chemicals are being sold abroad. One batch of a bogus Chevron product virtually destroyed Kenya's coffee crop in 1979. Many herbicides, pesticides and fungacides are hazardous even when produced under strict quality control conditions. In the hands of counterfeiters, there is an obvious danger of toxic chemical contamination of imported food or other products.

These selected examples highlight the problem of commercial counterfeiting from offshore pirates. A report which discusses in far greater detail the violations of American intellectual property rights by foreign manufacturers will be released soon by the Oversight Subcommittee. The report, which I expect to be adopted unanimously by the Subcommittee, specifically calls for strengthening the ability of the Customs Service to combat commercial fraud.

Investigations by the staff of the Oversight Subcommittee have revealed serious problems in the Customs Service directly related to the lack of adequate resources. The role of the import specialist is being systematically downgraded. These commodity specialists acquire specific invaluable knowledge of the relationships between foreign suppliers and U.S. importers. By carefully reviewing entry documents, the import specialists initiate a number of fraud investigations. Broker error on entry documents regularly approaches thirty percent and the majority of these "mistakes" favor the importer. By reviewing these documents and correcting the errors, import specialists also collect a good deal of revenue owed the United States. The magnitude of the problems caused by continued staff reductions can be gleaned from the following Customs and Commerce Department data. Total merchandise imports increased by twenty-two percent in 1983; yet, total collections from tariff and trade activities declined by $195 million last year. When faced with the problem of unfair trade practices which result in a substantial loss of revenue to the government, the agency has apparently chosen to reduce entry document scrutiny rather than increase personnel.

Certain ports, notably Chicago, have adopted a system of rotating the import specialists' commodity assignments, thus reducing whatever expertise may remain.

In most ports, at least until the advent last year of Operation Tripwire agents routinely disregarded fraud leads supplied by import specialists. Drugs, currency

and "Operation Exodus" cases were given top priority. Commercial fraud cases were given low or no priority at all. Agents routinely told the Subcommittee staff that commercial fraud was "not career enhancing." Such cases take a lot of time and are often met with skepticism by Assistant U.S. Attorneys because they frequently are very difficult to prosecute.

In one port with a very large textile and apparel fraud problem, the number of import specialists has been reduced to three. In addition, one was given the assignment of monitoring apparel imports from most of the world after only one week's training. In another port which handles a large volume of steel, an import specialist with only a few months of experience and virtually no expertise in steel was given that commodity line.

Despite quotas by type on specialty steel, only one port in the U.S. currently has the capacity to quickly test the metallurgical properties of imported steel. Moreover, the Subcommittee staff knows of no port that has the facilities to routinely weigh imported steel, much of which is subject to tonnage quotas. The Customs Service has attempted to justify the decline in import specialists by moving toward a post-audit system of checking entry documents. Part of this system is the "Bypass" program, under which the entry documents are not reviewed at all. There is great pressure on district directors to increase the number of entries on "Bypass." "Bypass" guidelines are built into the performance evaluation requirements for import specialists in some ports. Even where they are not, the "Bypass" goals often exceed seventy percent of all entries of non-restricted merchandise. To me, this would appear to be a license to steal.

Last spring, an experiment with one hundred percent Bypass was carried out in the Chicago district. For thirty days, all entries of non-restricted merchandise were accepted as submitted. The import specialists then had thirty days to review these entries. Under the pressure of a doubled workload, the error rate uncovered was twenty-one percent. Even more important, Customs brokers and large importers had been officially notified of the test, thus skewing the results toward fewer errors. Moreover, thirty-five percent of all entries were already on bypass, and these were excluded from the test. The government collected $1,500,000 in duties that would have been lost under one hundred percent bypass.

The moral equivalent of a bypass for inspectors on the docks and in the airports is called "Accept." Based on instructions from Headquarters, which are transmitted on a frequently non-functioning computer system, field inspectors let most cargo pass through Customs without physical inspection.

The "Accept" program attempts to rationalize the ever-declining number of inspectors and the ever-increasing volume of imports. But there is a point at which the risk of detection is so low and the chance for profit so high that an "Accept" type system loses control, no matter how well designed. The Customs Service may well be at or beyond that point. One inspector from the Los Angeles airport testified that if computer firms other than Apple registered their copyrights with Customs, the forty-five inspectors at LAX would be so overwhelmed that they would not be able to check anything other than computer shipments.

In a Philadelphia case, local narcotics officers stumbled across a warehouse containing several hundred counterfeit Apple computers from Taiwan. The computers and components were apparently being smuggled into the U.S. in containers loaded with heavy machinery. Over a thousand additional counterfeit Apple computers were seized this past December in California after the company hired private investigators to conduct undercover sting operations against importers. Counterfeit labels and logos have been found concealed in the middle of a container of shirts without brand names. Customs officials concede that the overwhelming majority of containers are never opened and the few that are opened are not thoroughly checked.

In December 1982, the Customs Service proudly announced that it had eliminated Customs inspectors assigned to bonded warehouses. The Customs Service permits certain goods to be entered under bond. Duties are deferred until the goods are released into U.S. Commerce. Merchandise which is intended for a third country can be transshipped through the U.S. under bond and stored in bonded warehouses pending reexport. Bond applications are even accepted for storage on the premises of the importer pending entry into U.S. Commerce. Elimination of bonded warehouse officers essentially places warehouse owners on the honor system. Customs does not have sufficient auditing capacity to inspect these warehouses with any significant frequency. Last spring, less than six months after the bonded warehouse officers were removed, an audit was conducted of two hundred bonded warehouses. $444,400 worth of violations were discovered, including $61,000 in lost revenue.

That serious problems existed with bonded warehouses should be no surprise. Lax enforcement in previous years had led to several scandals involving goods disappearing from bonded warehouses.

Customs officials experience even more problems with foreign trade zone warehouses. These are intended to house merchandise for reexport. It is Customs policy not to inspect the goods as they enter or leave the zones. In one part of the country, counterfeit jeans were being sold in the foreign trade zone. Shirts reportedly scheduled for transshipment to South America were on their way to New Jersey when discovered. Perfume was magically transformed into baby shampoo and sand in another warehouse. Stories abound of containers full of goods entering foreign trade zones and exiting empty or filled with other goods. Falsification of paperwork appears to be a simple matter.

Ex post facto audits work for the Internal Revenue Service, but they cannot be relied upon as the principle means of uncovering customs fraud. After goods enter the commerce of the United States, it is virtually impossible to determine if they were accurately described in Customs entry documents. In the Mitsui steel case, the largest civil penalty ever collected by Customs, the entry documents were perfect—and false. The Customs Services was able to act only because inside informants produced highly incriminating telexes, which permitted Customs to obtain search warrants and catch Mitsui by surprise.

Operation Tripwire may meet the same fate as Operation Steeltrap unless Congress specifically mandates an extensive commercial fraud effort. Steeltrap was instigated when Customs discovered, during its Mitsui investigation, that Customs fraud violations involving steel imports were massive nationwide. After only two criminal cases were settled, Steeltrap was folded, not for insufficient leads, but because political priorities changed. Two-thirds of all special agents were assigned to the Florida drug operation over a nine-month period. There were simply not enough people left to investigate commercial fraud.

Already scarce Customs resources will be further depleted this year because Customs agents will be required to assist the Secret Service in protecting Presidential candidates. In addition, the flood of athletes and visitors to the Los Angeles Olympic Games this summer will tax Customs operations on the West Coast.

Specifically, the Trade Subcommittee should consider earmarking funds for the following activities:

Fifty additional Customs agents to be assigned abroad. Three people in the Hong Kong office have responsibility for all Customs investigations in Southeast Asia, the hotbed of counterfeiting. During the first two months of Operation Tripwire in New York, 142 requests were made to investigate apparent transshipment of textiles and apparel designed to evade the bilateral agreements the U.S. has under the Multifiber Agreement. The Customs Services was able to dispatch one agent from headquarters for three months to check on these and other requests from all other ports. Taiwan, the counterfeiting capital of the world, has no Customs presence. The estimated cost of these additional agents is $7,500,000.

Regional fraud coordinators with intitial responsibilities in the areas of steel, electronics, textiles and apparel to be assigned to each office. Any shift in areas of emphasis to be reported to Congress annually. Estimated cost of these additional agents is $2,800,000.

Twenty positions should be added at the Commercial Fraud Center Headquarters so that additional resources persons can be quickly assigned to the regions and districts as large cases develop, thus eliminating the need to strip some districts of their fraud detection capability when manpower is needed to work complex investigations and examine large volumes of documents. Estimated cost is $1,000,000.

Fifty agents and a like number of inspectors and regulatory auditors and one hundred import specialists devoted entirely to commercial fraud work to be distributed as needed in district offices across the United States. The Congress should specifically require that the positions vacated by these employees must be filled. Further, all agents assigned to these units should have no less than two years of experience in fraud and all employees so assigned should receive a temporary grade increase. If their performance is satisfactory for two years, the increase should become permanent. Estimated costs of this program is $16,000,000.

Additionally, $1,000,000 should be set aside annually for training and communication purposes to develop these individuals into crack teams capable of doing extensive proactive work.

Additional monies will also be required to pay informants and moiety. Support functions and travel cost may not be sufficient in the previous estimates. Therefore, an additional $1,000,000 should be set aside for contingencies.

This total increase of $29,300,000 dedicated to commercial fraud does not represent a huge increase in personnel over that which was planned by the U.S. Customs Service itself. In a letter to me dated September 19, 1983, Commissioner von Raab explained that commercial fraud efforts included a headquarters contingent of five agents, four import specialists, one inspector, one program analyst, one computer specialist, and two clericals. The forty district fraud teams consisted of forty-six agents, twenty-four import specialists, eight inspectors and two auditors. He further stated that the number was expected to double in 1984.

Based on Commissioner von Raab's figures, a total of 102 special agents, fifty-six import specialists, eighteen inspectors, eight other specialists and four clerical support personnel would be required for Operation Tripwire in 1984. My suggestions for FY 85 would add only forty-eight agents, forty-two import specialists, twenty-four inspectors, regulatory auditors and other specialists to the program.[1]

However, these positions are currently funded by rotating people out of their present positions and are viewed by the individuals as temporary assignments. By institutionalizing the job assignments, expertise and enthusiasm can be developed. Given the demands on Customs personnel, it is doubtful that commercial fraud will continue to receive priority without additional funding.

I have serious doubts that even the level of funding suggested above would be sufficient. The General Accounting Office, which is currently studying the cost-effectiveness of the reduction of import specialists, should be requested to perform a complete review of the program after one year of operation at this funding level.

I am certain that the program will pay for itself many times over. More importantly, the interdiction of illegally priced goods, restricted merchandise and contraband may well convince our foreign competitors and their American co-conspirators that U.S. trade laws and other statutes and regulations cannot be violated without substantial risk.

There are several other areas which I would hope this Subcommittee might consider. In terms of budget items, our investigation suggests the following improvements need to be made in the operations of the Customs Service:

The corps of import specialists should be increased to 1,400. This would be exclusive of those assigned to commercial fraud teams.

The inspector corps should be increased to assure that all packages and containers of restricted merchandise and a much larger sample of other shipments are examined.

Provisions should be made for equipment to analyze all questionable goods. Scales should be installed for heavy tonnage quota items. Also, lab facilities and other analytical equipment used to test for such factors as fiber content or chemical composition, should be upgraded.

Bonded warehouse officers and the Customs lock system should be restored. Provisions should be made to inspect goods imported into the U.S. for reexport, both at the time of entry and departure. Foreign trade zones should come under special scrutiny.

I have attached a financial analysis of the FY 85 President's Budget. This analysis was prepared by Paul E. Suplizio, a consultant to the National Treasury Employees Union, using only the data submitted by Customs. His calculations show that $39,279,000 must be added to the Administration's request just to equal the personnel levels incorporated in the fiscal year 1984 Appropriation. This appropriation was some 650 positions short of what the Trade Subcommittee actually authorized last year.

It should be emphasized that the $29.3 million which I believe is a minimum for the commercial fraud program should be over and above the $39.3 million necessary to maintain the U.S. Customs Service at fiscal year 1984 levels. Additionally, I believe that a very good case can be made for the addition of $12.6 million for the five hundred bonded warehouse inspectors (with two hundred positions paid for by reimbursement from warehouse proprietors).

The Union's calculations show that for an additional $53.5 million, "Bypass" can be reduced from its current level of fifty percent of all entries to a more appropriate twenty percent; the number of physical inspections of containers increased to 105,000 (still well under four percent); and the number of investigations completed

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[1] The dollar amounts included in my estimates are considerably higher than the Customs Service figures of $42,200 per inspector, $53,100 per import specialist, and $57,900 per special agent which include only salaries and benefits. My estimates of $150,000 per special agent overseas, $100,000 per special agent in the United States, $70,000 to $80,000 per import specialist, inspector and regulatory auditor are based on rules of thumb employed by Customs officials to include facilities, vehicles and other equipment, clerical support and travel costs.

increased from 7,500 to 12,000 with the backlog cut from 3,700 to 3,000. These are worthwhile goals which I believe should receive your Subcommittee's serious attention.

There are a number of problems with Customs regulations and procedures. Some will be the subject of the Subcommittee on Oversight and Investigation's report on intellectual property theft. Others will be examined in further hearings we intend to hold this year. I look forward to working with Chairman Gibbons and the other Members of the Trade Subcommittee to assure that this country has a modern, efficient and effective Customs Service.

U.S. CUSTOMS SERVICE FISCAL YEAR 1984 APPROPRIATIONS, FISCAL YEAR 1985 BUDGET REQUEST, AND AMOUNTS REQUIRED TO RESTORE FISCAL YEAR 1985 CUTS

	Fiscal year 1984 appropriation [1]		Fiscal year 1985 budget request		Increase (+) or decrease (−) for fiscal year 1985		Add-on required for restoration to fiscal year 1984 level		Recommended baseline for fiscal year 1985 appropriations	
	Amount	Average persons	Amount	Average persons	Amount	Average persons	Amount	Average persons	Amount	Average persons
Inspection and control	$279,249,000	6,561	$265,886,000	5,949	−$13,363,000	−612	+$21,608,000	+612	$287,494,000	6,561
Tariff and trade	157,074,000	3,541	164,151,000	3,231	+7,077,000	−310	+10,905,000	+310	175,056,000	3,541
Tactical interdiction	76,823,000	1,831	78,682,000	1,799	−1,859,000	− 32	+1,766,000	+ 32	80,448,000	1,831
Investigations	81,758,000	1,390	76,616,000	1,390	−5,142,000		+5,000,000		81,616,000	1,390
Subtotal	594,904,000	13,323	585,335,000	12 ,369	−9,569,000	−954	+39,279,000	+954	624,614,000	13,323
Operation and maintenance, air interdiction prog	31,000,000		17,070,000		−13,930,000				17,070,000	
Total	625,904,000	13,323	602,405,000	12,369	−23,499,000	−954	+39,279,000	+954	641,684,000	13,323

[1] Includes $9,961,000 fiscal year 1984 pay supplemental

Customs Bonded Warehouse Program—Resource Requirements for Reestablishment in Fiscal Year 1985

When Customs terminated its physical presence at bonded warehouses in fiscal year 1984, it had 314 Inspector positions committed to the program. Of these, 114 were paid from appropriated funds and 200 from reimbursement by warehouse proprietors.

To reestablish the program, a minimum of 300 positions should be deployed.

Appropriations required would be:

To Fund 100 Inspectors [1]: $4.2 million.

To Fund 300 Inspectors: $12.6 million.

CUSTOMS INSPECTOR, IMPORT SPECIALIST, AND SPECIAL AGENT REQUIREMENTS FOR ENHANCED COMMERCIAL FRAUD ENFORCEMENT AT THREE LEVELS OF EFFORT, FISCAL YEAR 1985

	Inspectors		Import specialists		Special agents		Total	
	Number	Cost	Number	Cost	Number	Cost	Number	Cost
Enforcement level:								
I	75	$3.2	95	$5.3	146	$8.5	316	$17.0
II	211	8.9	270	14.3	195	11.3	676	34.5
III	483	20.4	358	19.0	244	14.1	1,085	53.5

RECOMMENDATION FOR $28,000,000 TOTAL COST

	Number	Cost
Inspectors	400	$16.9
Import specialists	100	5.3
Special agents	100	5.8
Total	600	28.0

Note: Number refers to average positions; cost is in millions.

CUSTOMS IMPORT SPECIALISTS—COMPUTATION OF NUMBER REQUIRED FOR PROCESSING OF MERCHANDISE ENTRIES AT THREE DIFFERENT ENFORCEMENT (BY-PASS) LEVELS, FISCAL YEAR 1985

	By-pass (percent)	Number of entries (thousands)		Entries per import specialist [1]	Number of import specialists required	Add-on to fiscal year 1984 level [2]	Cost (millions)
		Fiscal year 1985	Processed by import specialists				
Enforcement level:							
I	35	5,989	3,892	3,423	1,137	+95	$5.3
II	25	5,989	4,492	3,423	1,312	+270	14.3
III	20	5,989	4,791	3,423	1,400	+358	19.0

[1] Average level of productivity in fiscal year 1985 assumed by the administration's budget request. If productivity falls short of this figure, required number of import specialists will be larger.

[2] Number of import specialist positions in fiscal year 1984 is 1,042.

[1] Remaining 200 positions would be funded by reimbursement by warehouse proprietors.

CUSTOMS INSPECTORS—COMPUTATION OF NUMBER REQUIRED FOR INSPECTION OF CONTAINERIZED SHIPMENTS AT 3 DIFFERENT ENFORCEMENT LEVELS, FISCAL YEAR 1985

	Inspection rate (percent)	Number of arriving containers	Number of inspections	Average number of inspections per inspector [1]	Number of inspectors required	Add-on to fiscal year 1984 level [2]	Cost (millions)
Enforcement level:							
I	3.2	[3] 3,000,000	96,000	22.0	4,364	+75	$3.2
II	3.3	[3] 3,000,000	99,000	22.0	4,500	+211	8.9
III	3.5	[3] 3,000,000	105,000	22.0	4,772	+483	20.4
Fiscal year 1980 level	2.9	2,800,000	81,234	19.5	[4] 4,165		

[1] Average of 19.5 inspections per inspector in fiscal year 1980 increased by 2.5 percent per annum for productivity growth.
[2] Number of inspector positions in fiscal year 1984 is 4,289.
[3] Estimate.
[4] Actual.

CUSTOMS SPECIAL AGENTS—COMPUTATION OF NUMBER REQUIRED FOR ENHANCED COMMERCIAL FRAUD ENFORCEMENT AT 3 DIFFERENT ENFORCEMENT LEVELS, FISCAL YEAR 1985

	Number of new investigations initiated	Number of investigations completed	Investigations backlog at year end	Average number of new investigations per special agent [1]	Number of special agents required	Add-on to fiscal year 1984 level [2]	Cost (millions)
Fiscal year:							
1983		7,500	3,700				
1984	8,800	8,500	4,000	9.4			
1985	9,500	9,500	4,000	10.2			
Enforcement level:							
I	10,000	11,000	3,000	10.2	1,078	+146	$8.5
II	11,500	11,500	3,000	10.2	1,127	+195	11.3
III	12,000	12,000	3,000	10.2	1,176	+244	14.1
Plus 100 SA's	10,500	10,500	3,000	10.2	1,032	+100	5.8

[1] The number of new investigations initiated divided by the number of special agents (932 for fiscal years 1984 and 1985).
[2] Number of special agent positions in fiscal year 1984 is 932.

Chairman GIBBONS. Mr. Dingell says this on page 4 of his statement we just admitted, Mr. De Angelus:

"Total merchandise imports increased by 22 percent in 1983. Yet total collections from tariff and trade activities declined by $195 million last year." Is that correct?

Mr. DE ANGELUS. According to figures, Mr. Chairman, formal entries increased by 12 percent in 1983, and total collections decreased by $196 million. We are continuously analyzing our productivity. Generally, duty rates have been reduced. In addition, the commodity mix changes. We do not believe that reduction in revenue collections in any way reflects a lack of productivity on our efforts or lack of——

Chairman GIBBONS. I wonder if in writing you would respond to that statement, because it is an important one.

Mr. DE ANGELUS. Yes, sir.

Chairman GIBBONS. I am calling your attention to page 4 of the statement submitted by Chairman Dingell. I will quote it again:

"Total merchandise imports increased by 22 percent in 1983. Yet total collections from tariff and trade activities declined by $195 million last year."

I would like to have an analysis of that, if you would, please. Thank you very much.

[The information follows:]

Although formal entries have increased by 12 percent, the value of United States merchandise imports in fiscal year 1983 declined 1.5 percent from fiscal year 1982 levels ($246.9 billion vs. $250.6, see Table 1). During the same period, Customs collections in fiscal year 1983 reached $9,785 million, a decline of $196 million from fiscal year 1982 (See Table 2). All of the 2.0 percent (−$197 million) decline was due to lower duties collected on consumption entries. More specifically, negotiated restraints in United States imports of steel tubes, pipes and fittings accounted for a $2.9 billion decline in the import value of these goods between 1983 and 1982 (See Table 3). Estimated duties collected on these goods declined by $221 million.

Thus, the $196 million decline in Customs collections between fiscal year 1983 and fiscal year 1982 was attributable to lower steel tube and pipe imports.

TABLE 1—GENERAL IMPORTS, CUSTOMS VALUE

[Dollar amounts in millions]

	Calendar year		Fiscal year	
	Amount	Percent	Amount	Percent
1983	$258,048	+5.8	246,877	−1.5
1982	243,952		250,649	

TABLE 2.—CUSTOMS COLLECTIONS

[In millions of dollars]

	Fiscal year—		Change
	1982	1983	
Total	9,982	9,785	−196
Duties	9,278	9,060	−218
Consumption	8,658	8,428	−230
Warehouse	531	497	−34

TABLE 3.—GENERAL IMPORTS, CUSTOMS VALUE

[In millions of dollars]

	Calendar year—		Change
	1982	1983	
Iron and steel tubes, pipes and fittings total	4,378	1,398	−2,989
Estimated duties paid	296	75	−221

Mr. DE ANGELUS. Thank you.

Chairman GIBBONS. Our next witness is from the National Treasury Employees Union, Robert M. Tobias, national president.

Mr. Tobias, you may proceed as you wish.

STATEMENT OF ROBERT M. TOBIAS, PRESIDENT, NATIONAL TREASURY EMPLOYEES UNION, ACCOMPANIED BY PAUL NEWTON, DIRECTOR OF LEGISLATION

Mr. TOBIAS. Mr. Chairman, and distinguished members of the subcommittee, I am Robert M. Tobias, national president of the National Treasury Employees Union. NTEU is the exclusive repre-

sentative of over 120,000 active and retired Federal workers, including all employees of the U.S. Customs Service worldwide. With me is Paul Newton, our director of legislation. We are pleased to appear before you today to discuss the fiscal year 1985 authorization of appropriation for the Customs Service.

As the subcommittee is aware, the principal mission of the Customs Service is to intercept narcotics traffic and other contraband crossing our borders and to monitor the flow of travelers and merchandise through U.S. ports of entry. In addition, Customs is a key revenue producing agency, adding over $10 billion a year to the U.S. Treasury.

Each of these activities—border enforcement, revenue collection, and tariff and trade regulation—is vital to the well-being of our Nation. And in each of these areas, Customs will face greater challenges during the coming year than at any time in its 200-year history.

International trade and tourism, an essential element in our economic recovery, will continue to grow and place further strains on Customs' ability to cope with congestion at our Nation's air, land and sea ports of entry. Increasing commercial fraud threatens to undermine the recovery of basic industries such as steel, electronics, and textiles. The drug war, fought daily on the streets of our cities and in our high schools, is still escalating. And finally, as international tensions worsen, our strategic interest in halting the flow of critical technology to unfriendly nations will become an important national security issue.

Though there is an obvious need to provide adequate funding for Customs to meet these challenges, the Reagan administration has once again undersold Customs' fiscal requirements and overpromised the anticipated results of so-called improved enforcement and inspection techniques. This year's budget request of $602 million and 12,447 positions is $14 million and over 950 positions less than Congress provided in the fiscal year 1984 continuing appropriations resolution passed last November. The continuing appropriations resolution itself contained a 400-position cut from Customs' 1983 operating level.

I certainly am not surprised by the statement submitted by Congressman Dingell that said that merchandise importation is up 22 percent and the tariff collection is down by $195 million. I don't think that that can be explained as glibly as Mr. De Angelus did by saying it is a mere reduction in the size of the tariff.

Last year, this subcommittee not only restored the 2,000 positions which were eliminated in the administration's request, but added $25 million to provide for a real increase of 650 positions. In the strongest terms possible, we recommend that you authorize an additional $39 million to restore the cuts in this year's budget, and that you add at least 650 new positions to the current work force. In short, we believe that the $39 million will bring the Customs Service to where it is, where it was last year, and that $25 million additional needs to be appropriated for 650 new positions.

The reason we are supporting an increase in Customs personnel is simple: during the past 10 years, while the number of passengers and the volume of cargo entering the U.S. nearly doubled, Customs personnel ceilings remained essentially static. The fact is that

there are fewer inspectors and import specialists on board today than there were in 1975. With this in mind, it is no wonder that Customs has been unable to stem the swelling tide of illegal narcotics, or that it has failed to keep up with the growing demand for enforcement of our import and export laws.

The sad truth is that narcotics smuggling continues to grow at an alarming rate and that it has led to an epidemic level of crime in our communities. It has been estimated that 90 percent of the illegal drugs sold in our country comes from abroad and that nearly 60 percent of all serious crimes are drug related.

I similarly don't think it is any coincidence that the reductions in the number of inspectors and import specialists over the last 2 years has yielded a reduction in over 2,000 in the number of seizures from 1981. Certainly you can't have seizures when you don't have people looking at the merchandise that is coming into this country.

Despite the fact that tourism contributes $12 billion to our economy, international travelers continue to face maddeningly long lines at our borders. At El Paso, Tex., cars wait for an hour to enter the United States, and at John F. Kennedy International Airport in New York, an international arrivals facility which can accommodate 38 Customs lanes and 76 inspectors during peak hours, has half that many actually serving the public.

I would like to read a brief passage from a letter our New York Chapter recently wrote to Customs management officials:

> On Tuesday, October 25, 1983, 12 inspectors faced 1,447 passengers on one side of the Pan Am terminal. The passengers all arrived within 25 minutes. Once again, inspectors refused to risk generating a riot and succeeded by ignoring their jobs.

For several years, this subcommittee has pressed Customs to implement improved inspectional systems to speed clearance. But the bottom line is that more inspectors are needed, and no amount of procedural efficiencies will change that.

The same holds true for recent efforts to control commercial fraud. Last year, witnesses from the steel, auto parts, electronics, and textile industries testified before Congress that they are suffering significant losses from counterfeit imports and the evasion of antidumping and countervailing duty laws. At the same time, Customs has cut back inspections of cargo and now requires import specialists to bypass 50 percent of the entry documents they receive; 50 percent on an alleged scientific basis are automatically bypassed.

Whether you call yourself a free trader or a protectionist, or something in between, there is no excuse for not enforcing the laws on the books. My point is, Mr. Chairman, that there is no substitute for adequately staffing an agency charged with protecting the public. And I doubt whether any police chief in America will suggest that there is an alternative to keeping the cop on the beat to detect and prevent crime.

Despite Customs' claim that it can do more with less, that automation and greater selectivity are the answers to its growing workload, administration witnesses make no effort to conceal their pride when alert employees make major drug seizures and uncover shipments of communications equipment bound for the Soviet Union.

Clearly, the situation calls for more such employees, not fewer, as the fiscal year 1985 budget suggests.

Before I conclude, I would like to touch upon two additional issues. First, we urge you to oppose any new attempt to slash overtime pay for Customs inspectors under the Trade Act of 1911. This longstanding commitment is rooted in the hazardous, stressful and physically and emotionally demanding nature of this occupation, as well as a desire to provide adequate incentives to counterbalance the long and irregular hours.

And second, we urge you to reject the recent recommendation of the President's Cabinet Council on Management and Administration to transfer Customs' primary inspection functions at land border ports to the Immigration and Naturalization Service. If implemented, this plan would reverse decades of increasing reliance on Customs for narcotics interdiction and for enforcement of over 400 laws for 40 different agencies.

While the presence of INS at our ports of entry has been steadily reduced, Customs' role has been emphasized, and it continues to be the first line of defense in border enforcement. Disrupting this strategy by involving two agencies in border inspections at this critical time makes no sense and fails to recognize that consolidation within Customs, as the plan calls for at all air and sea ports, is the most effective and least costly course of action.

Mr. Chairman, this concludes my remarks. My colleague and I would be happy to answer any questions you may have at this time.

[The prepared statement follows:]

STATEMENT OF ROBERT M. TOBIAS, NATIONAL PRESIDENT, NATIONAL TREASURY EMPLOYEES UNION

Mr. Chairman and distinguished members of the Subcommittee: As the exclusive representative of over 120,000 Federal workers, including all employees of the U.S. Customs Service worldwide, we are pleased to appear before you today to discuss the authorization of appropriations for the U.S. Customs Service for Fiscal Year (FY) 1985.

I welcome the opportunity to participate in the Trade Subcommittee's annual review of Customs' programs and resources. Never in its long history has the U.S. Customs Service faced such severe challenges as today. Imports of foreign merchandise are flooding the country. Last year, merchandise entries surged ahead by 13 percent, far more than Customs estimated or was prepared for. Imports doubled in volume between 1976 and 1983, a period during which Customs' resources remained essentially static.

Last year, this Subcommittee wisely authorized 650 new positions for Customs including 450 Inspectors, 150 Import Specialists and 50 Customs Patrol Officers. Had these positions been funded, they would have assisted immeasurably in coping with the wave of imports that engulfed the economy. Sadly, this was not the case. Customs remained underfunded and understaffed. Countless shipments entered the country with little or no inspection whatsoever, and only half the entry documents were reviewed by a professional Import Specialist. As a result, America's workers and industries were in large measure deprived of the protection of the Customs laws.

If anyone doubts this conclusion, let them peruse the record of last year's hearings before the Oversight and Investigations Subcommittee of the House Energy and Commerce Committee. Let them note that, despite a 13 percent increase in entries of *dutiable* merchandise, Customs' total collections last year fell by $200 million. Let them consider that less than one percent of containerized shipments are being physically inspected, despite the demonstrated fact of concealment of drugs, contraband and restricted merchandise in these 40-foot-long assemblies. Let them observe that the withdrawal of Customs Inspectors from bonded warehouses have placed warehouse operators on a virtual honor system.

Let them visit the coasts of Florida, the Gulf of Mexico, and southern California, where thousands of returning pleasure craft meet little or no inspection, an open invitation to smuggling. Let them watch the radar screens of Customs' air patrol when the cocaine flights are coming in and only a small fraction can be intercepted. Let them drop in on our major international airports, where the shortage of Inspectors and peaking of arrivals threatens a breakdown in the inspection system.

Let them remember that illicit narcotics traffic, 90 percent of it from abroad, is now a $100 billion business in this country and no more than 10 percent is being interdicted. Let them recall that 500,000 to a million persons enter the United States illegally each year, swelling a population of illegal aliens that now stands at 5–10 million.

Few dispassionate observers doubt the reality of this situation. Yet such is the nature of our democracy that the highest officials of the Customs Service are forced to adopt a more optimistic view. They repeatedly come before the Congress mouthing such formulas as selectivity, bypass, ACCEPT, and other claptrap that are only euphemisms for nonenforcement. Conceivably, such programs could be designed and phased in properly over five to six years, provided the necessary resources were available. But to pretend that they are working now is absurd. These much vaunted programs are simply a way of concealing the self-evident truth that there simply aren't enough people to do the job.

Customs' success in the face of the enormous challenges it confronts is due to the hard work and professionalism of its dedicated employees who have never let up, despite the mounting disparity between workload and means. Their unrelenting efforts have prevented a public catastrophe. Yet they have been singularly ill-served by this Administration, which has not refrained to assault their pay, overtime, and retirement benefits.

There is little doubt that with the current trend of imports, international travel, and drug traffic, the challenges facing Customs are at the present moment dramatically accelerating, and can be expected to continue in the years ahead. The U.S. merchandise trade deficit was $43 billion in 1982, climbed to $69 billion last year, and could reach $120 billion this year. In the face of this onslaught of imports, Customs must be given the means to safeguard our economic security by barring entry of unsafe or counterfeit goods and evasion of tariffs or quotas.

Should the government seek new remedies, such as imposition of an import surcharge, voluntary agreements with our trading partners, or new tariffs and quotas, it will be the Customs' job to implement these actions. This year, the Customs Service is implementing the Caribbean Basin initiative. It has launched a major commercial fraud enforcement program. It is implementing the National Narcotics Border Interdiction Program. Operation Exodus, which seeks to control export of critical technology to Communist Bloc nations, is being funded at only a token level. New resources should be provided for new missions rather than robbing Peter to pay Paul.

It is against this background that we ask you to examine the Administration's budget request for the U.S. Customs Service for Fiscal Year 1985. Clearly, what is required is a long-range plan to establish, by successive increments over a period of years, a substantial increase in Customs' resources to deal with the mounting workload. Underlying such a plan should be a Customs assessment, which is long overdue and urgently required, stating in explicit terms what the present degree of compliance with the Customs laws is, how much noncompliance exists, and what it is costing the country.

Like its predecessors, this budget is utterly devoid of any plan for achieving a better balance between Customs' workload and resources, and marked improvement in compliance with the Customs laws. The budget requests a cutback of 954 positions, including 452 Inspectors and 167 Import Specialists. It requires a hiring freeze, which is already in effect, meaning that vacancies among Inspectors, Import Specialists and Patrol Officers will not be filled. Even with the hiring freeze, the budget will require Customs to carry out a reduction-in-force of 500 positions beginning October 1 of this year. Customs' plan for this reduction includes cutbacks at air, land, and sea ports of entry, in the coastal marine patrol which is part of our defense against drug smuggling, and in Import Specialists at most ports which were scheduled for centralization under a plan blocked by Congress last year.

In addition to these cutbacks, $18 million is eliminated through a couple of unrealistic assumptions. The first assumption is that $7 million in reimbursable funds will become available by amendment of the Airport and Airways Development Act to provide for carrier payment for the service of Customs Inspectors on Sundays and holidays. Secondly, it is assumed that the Department of Defense will agree to pick up $11 million in funding for operation and maintenance of aircraft in the air inter-

diction program. These assumptions are so tenuous that we strongly urge the Subcommittee to restore this $18 million in its authorization for FY '85.

The budget also calls for a $5 million program reduction in Operation Exodus. This would reduce Exodus to a $16 million funding level in FY '85. Such a cutback hardly squares with the arguments for stronger export controls made by the Administration in seeking renewal of the Export Administration Act. The cut should be rejected to permit the current enforcement level, which is a bedrock minimum if we are serious about export control, to be maintained.

We believe this budget should be decisively rejected and the proposed cuts fully restored. This would require an addition of $56 million and 954 average positions to the Administration's budget request. This is shown in Table 1, appended to our statement.

NTEU also strongly recommends that the Subcommittee again authorize funds for 650 new positions—450 Inspectors, 150 Import Specialists and 50 Customs Patrol Officers—which passed the House last year but for which funds were not appropriated in the Continuing Resolution. In view of the dramatic surge in imports, rampant commercial fraud, shortages of Inspectors for both cargo and passenger processing, and low rate of narcotics interdiction, these positions are more urgently required than ever.

We would go a step further and urge the Subcommittee to add funds for 100 additional Customs Special Agents. The Subcommittee has received a statement from the Chairman of the House Energy and Commerce Committee concerning vast areas of noncompliance with our trade laws, including extensive counterfeiting of American products and theft of patent and trademark rights. In addition to 400 Inspectors and 100 Import Specialists needed for a strengthened commercial fraud enforcement program, Chairman Dingell recommends that 100 more Special Agents be hired to increase the number of investigations in that program. As the Subcommittee is aware, most of the commercial fraud referrals from Import Specialists cannot be followed up by the Investigations branch due to inadequate resources. The addition of 100 Special Agents would not only increase the number of cases initiated and reduce the caseload backlog, it would help deter commercial fraud by strengthening Customs' presence in the importing community.

We therefore urge the Subcommittee to add $35 million and 750 average positions above the amount required for full restoration of the cuts made by the Administration. This add-on makes a total of $91 million and 1,704 average positions as the amount we recommend be added to the FY '85 budget request. While $91 million is a large sum, it must be remembered that $56 million of this is required to restore unwise cuts made by the Administration. What we are asking the Committee to add over and above the current FY '84 level of operations is $35 million. It should also be remembered that Customs is a revenue-producing agency, currently returning $17 collected for each dollar appropriated.

NTEU's alternative budget with the additions recommended above is shown in Table 1. This budget totals $693,443,000 and 14,073 average positions. This is an increase of $91 million and 1,704 average positions above the Administration's FY '85 budget request. We strongly recommend that the Subcommittee authorize this budget as the minimum essential amount required for FY 1985. Under the Reagan Administration, the Office of Management and Budget has basically opted to shut its eyes to the growing Customs workload and the costs of inadequate enforcement to our vital interests. These Reagan budgets, which called for a decline in the level of real Customs resources in the face of a growing workload, were totally unrealistic and were so perceived by Congress and the travel and trade communities.

It is therefore necessary for Congress to again take the lead in decisively rejecting the Administration's budget in favor of a rational alternative. We believe the budget we have offered is supported by our own analysis and by the findings of the Oversight and Investigations Subcommittee of the House Commerce Committee, which recommended an additional $29 million above the amount required for full restoration.

As the Subcommittee well knows, countless national interests have a stake in effective enforcement of our Customs laws, including business, labor, agriculture, and the travel and tourism industry. Moreover, our country's long-term health and security depends upon effective policing of our borders, halting the flow of critical technology to unfriendly nations, and interdicting the illicit drug traffic that has such a crucial effect upon the level of violent crime.

We cannot protect these interests and achieve these goals without providing Customs with adequate capability for enforcing the Customs laws. In recent years, this has required a steadily increasing level of resources, realistically proportioned to the

dramatic changes in the travel and trade sectors of our international economy, and to the narcotics, export control, and commercial fraud threats.

The key question is: How much is enough? To answer this question, we need to weigh not only the cost of the additional resources, but also the cost to society of inadequate enforcement of the Customs laws. In your deliberations, we ask you to keep in mind the following points:

First, Customs resources have remained essentially static over the last five years, despite a 60 percent growth in workload and the addition of new missions such as Operation Exodus. This situation is depicted for Inspectors and Import Specialists in Tables 2 and 3, appended to our testimony.

Second, NTEU has consistently maintained, and the reports of this Subcommittee and the General Accounting Office have confirmed, that for almost a decade Customs has been stretched thin by a growing imbalance between workload and resources, leading to wide areas of minimal enforcement or nonenforcement.

Third, Customs is a revenue-producing agency which collects an average of $17 for every dollar appropriated. An incremental increase in Inspectors or Import Specialists would yield a minimum return of three-to-one, according to Customs. GAO studies have indicated that much revenue is lost from inadequate inspection of containerized cargo, and inadequate verification of merchandise entries. The evidence strongly indicates that Customs is definitely operating at resource levels where additional staff would yield revenue increases significantly greater than their cost.

Fourth, while it may be tempting to make economies, as has been the practice in recent years, at the expense of a law enforcement arm such as the Customs Service, in the long run this is extremely unwise, because such reductions only rebound as increased costs in other parts of federal, state and local budgets. We must weigh the costs to communities of drug treatment clinics, plant closures, and unemployment. We must weigh the costs to industry of commercial fraud, theft of industrial secrets, and counterfeiting. Our estimate, compiled from several sources, is that such costs now amount to over $100 billion annually.

In the remainder of our testimony, we would like to discuss policy issues in each of the principal areas of Customs activity—Inspection and Control, Tariff and Trade, and Tactical Interdiction. We will call attention to the manner in which our society and economy are dependent upon Customs' law enforcement, and the social and economic costs of inadequate enforcement. We will present an analysis of the number of additional Inspectors, Import Specialists and Special Agents required for significant improvements in Customs' commercial fraud enforcement. We will conclude by summarizing our recommendations for fiscal year 1985.

INSPECTION AND CONTROL

The Reagan Administration has announced a major policy decision to consolidate responsibility for primary inspection of incoming persons in the U.S. Customs Service at air and sea ports, and in the Immigration and Naturalization Service at land ports of entry. NTEU has been informed that legislation implementing this decision is being drafted and will shortly be presented to the Congress. We know that this Subcommittee will play a leading role in giving this proposal careful scrutiny, because of the vital interests affected and the Reagan Administration's apparent inability to referee the competing claims of the Treasury and Justice Departments.

There are many vital interests at stake in the design of an effective primary inspection system. Customs' Inspection and Control mission includes interdicting traffic in drugs, curbing illegal immigration, serving a growing domestic tourism industry, safeguarding American agriculture, controlling the export of critical technology, and enforcing currency controls, endangered species and environmental laws, and many other laws and regulations. Any streamlining of federal inspectional responsibilities must enhance our ability to accomplish these missions to protect our vital interests.

Speaking on behalf of the employees of the U.S. Customs Service, I have no doubt that the assignment of primary inspectional responsibility to Customs at air and sea ports is sound and should be approved. A natural evolution in this direction has been underway for some time. The one-stop inspectional system in effect at many ports has required Customs Inspectors to carry out INS functions in processing travelers from abroad. To backup these duties, Customs has expanded its automated Treasury Enforcement Communications System (TECS). It is experimenting with passport optical scanning equipment to detect forgeries. Immigration clearance has been built into the most recent passenger facilitation systems that Congress has required to be used as a model, namely, the ASIST concept introduced in Miami and Los Angeles.

Moreover, for the past several years INS has been gradually withdrawing inspectional resources from both air and sea ports and land border ports. In the State of Montana alone, INS proposed last year to close five ports of entry, with Customs picking up the slack. Customs Inspectors now outnumber INS Inspectors at all land border ports by 1,100 to 800, and are processing 58 percent of the traffic.

In the Southwest and California, Customs Inspectors and Patrol Officers are now playing a vital role in curbing illegal immigration. Most of the legal foreign tourists and business traffic, and some of the illegal immigrant traffic flows through cities and land ports of entry. Customs Inspectors and Patrol Officers are inspecting millions of pedestrians and vehicles at border crossings each year, performing both Customs and Immigration functions.

We are therefore dismayed at the Administration's failure to assign primary inspection responsibility at land border ports to Customs also. We have no doubt that Customs Inspectors can carry out this responsibility, backed up by an INS secondary, as effectively at land border ports as at air and sea ports.

I know the Subcommittee wishes to examine this matter thoroughly, and I would therefore like to expand on these points in some detail.

I mentioned the vital interests in our economy and society that have a stake in the Customs inspectional system. While these interests will be better served by assigning primary inspection to Customs at air and sea ports, they would be ill-served by involving two agencies in what is now the responsibility of one at our land ports of entry. Let me illustrate with respect to each of the major tasks I have mentioned.

DETERRING AND INTERDICTING THE DRUG TRADE

Last year, Customs Inspectors at our ports of entry, backed up by detector dog and contraband enforcement teams, registered important gains in the war on drugs. Heroin seizures were up 70 percent, and cocaine seizures up 27 percent over 1982. Customs contraband enforcement teams, which provide thorough search of baggage and cargo, were responsible for a significant portion of this increase. These teams of Inspectors, backed up by Import Specialists and Patrol Officers, are now in operation at 50 ports, and comprise 12 percent of Customs' Inspectional resources. At the same time, Inspectors manning clearance checkpoints—the primary defense against couriers who bring most of the heroin and a significant part of the cocaine into this country—have accounted for 9–12 percent of all drug seizures.

Our dedicated and hard-working Inspectors are indeed making progress, but there are simply not enough of them. There is a real question whether the bottle is half-full or half-empty. The General Accounting Office reports that while 90 percent of illegal narcotics come from abroad, only 16 percent of the marijuana and no more than 10 percent of the heroin and cocaine is being intercepted. Two weeks ago, the Justice Department announced the indictment of 53 persons in the largest cocaine trafficking ring in the nation's history. Over a period of 16 months this ring had smuggled five tons of cocaine worth $3.8 billion by flying it to U.S. cities in loads of 600–1,000 lbs. Overall, despite stepped-up efforts in the drug war, Justice reports that the amount of cocaine and heroin entering the country last year remained about the same as the year before.

One can only conclude that we have a long way to go. This is the opinion of the respected Chairman of the Select Committee on Narcotics Abuse and Control, the Honorable Charles Rangel, who conducted extensive hearings into the problem last year.

The social costs of this traffic are enormous. One in six high school seniors have used cocaine. The large influx of heroin over the past three years has led to a dramatic increase in deaths and emergency room admissions for heroin overdoses, according to the Drug Enforcement Administration. In a study completed for the State of New York, former Health and Human Services Secretary Joseph Califano estimated that the cost of drug addiction in terms of health care, federally-funded treatment centers, and loss of work days was more than $40 billion a year. President Reagan has noted that crime is an American epidemic, touching nearly a third of American homes and resulting in $8.8 billion a year in financial losses. Law enforcement authorities estimate that between 40 and 60 percent of all serious crimes occurring in the United States are drug-related.

At this stage of the war on drugs, it would be disastrous to involve the already over-taxed Immigration and Naturalization Service in the drug war by assigning it primary inspection responsibilities at land border ports. Such fragmentation of narcotics interdiction would make no sense. It would result in costly, duplicative efforts by two agencies where one is now performing the mission.

SAFEGUARDING AMERICAN AGRICULTURE

This same argument applies to the task of preventing the introduction of foreign plant or animal pests that would endanger our $500 billion agriculture industry. When an outbreak of disease occurs, eradication costs are enormous. A Mediterranean Fruit Fly infestation would cost $200-$250 million annually in agricultural losses. African Swine Fever could be brought into the country by an unwary passenger in a ham sandwich, or through pork products contained in passenger baggage or airplane waste. There is no known treatment for the disease, which would cost $2 billion in losses the first year. Last year, Haiti's entire hog population had to be slaughtered, with the United States picking up the bulk of the tab, because of the threat to our shores.

An adequate level of baggage inspeciton at our ports of entry is an absolute necessity. Customs Inspectors have been trained to provide such inspection during primary passenger clearance, while employees of the Agriculture Department's Aminal and Plant Health Inspection Service provide secondary backup. It would be unwise to fragment this mission further by introducing a third agency, INS, into the picture.

HALTING ILLEGAL IMMIGRATION

Last year, the number of arrests of illegal aliens at the Mexican border leaped 40 percent to 1.3 million—the first time in history that more than a million arrests were recorded. San Ysidro, California is the busiest point of illegal entry in the country, accounting for 432,000 of the illegal aliens apprehended. The El Paso sector is the second biggest crossing, averaging 20,000 monthly apprehensions. At these and other ports of entry along the Mexican border, Customs inspectors have been working alongside INS inspectors in conducting primary inspections. The deterrent effect of these inspections forces the bulk of the illegal immigrant traffic into the space between ports of entry, which are covered by the INS Border Patrol.

The migrants themselves, fleeing from the worst economic crisis in the history of Mexico, say they'll keep trying until their trips to the United States are successful. Even though much of the 2,000-mile border is steaming desert and unsuited for travel, the Border Patrol has been stretched thin. Observers have noted that only one-tenth of the force is active at any time, and some checkpoints are closed part-time. Smugglers know the Border Patrol's hours and work after a station closes. For example, last month a surprise opening of the San Clemente checkpoint netted 413 aliens and 18 smugglers in a matter of hours. This shows that an increased workforce could severely curtail alien traffic. For FY 1985, the Administration has proposed 1,000 new positions for the Border Patrol.

Another way the Border Patrol could be provided the increased resources it requires would be for Customs to assume primary inspectional responsibilities at land border ports. Customs already has one-third more Inspectors at land ports than INS and these Inspectors regularly conduct immigration primary inspections. For years, Customs has been filling the gap where insufficient INS inspectors are available. In many smaller ports, there is no Immigration presence at all, and Customs Inspectors are doing both agencies' jobs. The Border Patrol could then concentrate on its primary mission of apprehending illegal aliens between ports of entry, while Customs conducted primary inspection of travelers at the ports themselves.

The social costs of not dealing effectively with the mounting tide of illegal immigration are enormous. Just last week, the Washington Post quoted an estimate of $18 billion annually for the cost of unemployment and other benefits received by legal residents whose jobs are taken by illegal aliens. A full accounting would add the cost of welfare and other benefits received by the aliens' families. The State of Illinois has estimated that it loses $66 million a year from fraudulent unemployment claims filed by aliens. Over the longer run, the pressures of 37-70 million people will be added to the U.S. population in the next half-century.

Clearly, the problem has reached massive proportions and must be dealt with effectively. All indications are the INS is spread too thin to be charged with carrying out the Customs primary inspection mission at land ports of entry. The difficulty the agency has experienced in automating its files, rendering timely services, and coping with the more educated foreign students and professionals who come in legally and then overstay their permits, is well-known. According to John Crewdson, who won a Pulitzer prize for his stories on immigration in the New York Times, INS is stretched thin to transparency and stuck in its past. Fairly or unfairly, he calls it "the most Kafka-esque labyrinth thus far devised by government".

EXODUS, CURRENCY SMUGGLING, ENDANGERED SPECIES AND ENVIRONMENTAL PROTECTION, INSPECTION OF COMMERCIAL CARGO AT SMALLER LAND PORTS, AND APPREHENSION OF CRIMINAL FUGITIVES

It is frequently noted that Customs, as the nation's primary border management agency, has had delegated to it by 40 other government agencies the responsibility for carrying out the laws and regulations of those agencies at the border. Customs has a broad and diverse mission as contrasted to the single mission of INS. Customs provides 60 percent of the staff making inspections at land ports, and carries out the bulk of these inspections. All of these inspections are one-stop, that is, Customs Inspectors implement all agency requirements, including INS. It seems to us that it would be far easier to train Customs Inspectors to absorb INS responsibilities at the border, than the reverse.

Transfer of primary inspection responsibilities to INS at land ports would be highly disruptive of major programs such as Exodus and currency control. It would require 40 different agencies to deal with INS concerning their enforcement requirements, virtually doubling the amount of coordination required since they would have to deal with two agencies rather than one. Such fragmentation of responsibility in border enforcement would not make sense.

Consider also the plight of the importing community at the many small land ports on our Northern and Southern borders. Responsibility for inspecting commercial cargo transiting these ports would of necessity fall to the local INS port director, who would be required to process merchandise trade now handled by an experienced Customs Inspector—Import Specialist team. Since inspections would be made by INS, and entry documents would go to Customs, the fragmentation of responsibility in processing this trade is apparent.

Customs responds to the requirements of other law enforcement agencies by apprehending fugitives from justice. As a matter of fact, each year Customs apprehends more wanted felons than any other law enforcement arm in the country. This is made possible by the training Inspectors receive, and by the modern Treasury Enforcement Communications System (TECS), which accesses the wanted persons, stolen vehicles, and other intelligence of the National Criminal Information Center. TECS permits rapid automatic search of over a million files. By contrast, the INS Lookout Book contains 60,000 manual entries, all of which are in the TECS data base. By training, number of in-place staff, and enforcement support systems, Customs is far better prepared to assume the primary inspection mission at land ports.

It should be remembered, too, that inspection of travelers for immigration purposes is a straightforward procedure. Of the 180 million aliens who present themselves for entry each year, no more than .3 percent are denied permission as a result of border inspection. The dimensions of the illegal immigration problem require much more enforcement capability between ports of entry than at those ports. By placing primary inspection responsibility in Customs at all ports, the nation would have a unified border management system, and INS would be able to concentrate its efforts on curbing illegal immigrant traffic outside the ports.

In the Administration's proposal, 165 positions of the Customs Patrol operating in and between land ports of entry would be transferred to INS. These specially trained uniformed and undercover operatives supprt Customs' missions, especially narcotics interdiction and Exodus, and are an integral and essential part of Customs' border enforcement strategy. Transfer of these positions would seriously weaken the war on drugs at a time when it needs to be stepped up. We strongly oppose the removal of these specialized assets from the narcotics and contraband mission for which they were recruited and trained.

Clearly, consolidation of primary inspections at air and sea ports in Customs is a step in the right direction. But the Administration's proposal does not go far enough, and in fact, at land ports it is a step backward from consolidated border management. Only 12 percent of persons entering the country arrive at air and sea ports, the remaining 88 percent enter through land ports. If real progress is to be made in protecting the vital interests we have outlined, a single agency should have primary responsibility for all ports of entry. Customs' mission is exclusively border management. It is prepared to assume primary responsibility at our land ports, where it is already doing the bulk of the job.

There would be far-reaching benefits to moving to a single border management agency. These benefits would stem from the ability to standardize forms and procedures, and in applying modern technology to border clearance. The passport, visa, I-94 form, and baggage declaration presently used by the two agencies in the inspection process could be consolidated and automated to provide vast gains in facilitation, enforcement, and cost savings.

Combining the I-94 form with the Customs baggage declaration would eliminate millions of forms each year. Airlines could be provided with optical scanning passport terminals which would eliminate the need for their collecting the second copy of the I-94 on the alien's exit from the country. This would provide a feasible way of gaining a reasonable degree of control over aliens entering and over-staying their visas or violating the terms of those visas.

In addition, with development of a machine-readable passport the primary Inspector would no longer have to enter a TECS query and primary inspections could be completed more smoothly and efficiently.

The consequence of not consolidating border management in a single agency nationwide is not merely the continuation of costly and redundant systems and paperwork. It means that government, industry, and the public will not realize the benefits and efficiencies that could be achieved through full consolidation.

Let me outline the Administration's specific plan, so you can better grasp its full dimensions.

At the present time, Customs has 900 positions committed to inspection at air and sea ports, and 1,064 positions at land ports. INS has 719 positions committed to inspection at air and sea ports, and 800 positions at land ports. If the Administration's plan is approved, customs will absorb all but 214 of the INS positions at air and sea ports (including pre-clearance). The 214 positions would be for INS secondary inspections. At land ports, INS would absorb all but 426 Customs positions, which would be used for secondary inspections.

INS would thus gain 638 positions from Customs at land ports. The workload would not change. For the most part, the people doing the work would not change. Essentially, there would be a swap of uniforms.

Customs would similarly gain 442 positions at air and sea ports. Overall, there would be a net loss of 200 positions from Customs to INS, reflecting the fact that Customs has a greater commitment at land ports. This information is shown in Table 8, appended to our statement.

The plan for transfer of personnel calls for a freeze on movement into affected units, the issue of specific notices to affected personnel, and a mass transfer at a designated pay period. The plan states: "We expect to transfer vacancies first, volunteers second, and to fill the remaining positions using appropriate transfer of function procedures." However, it also provides for placement or separation of affected employees who decline offers of transfer.

That is all the personnel plan says. It is incredible how little attention was given by these high-level big shots to the massive human and morale problems associated with such a wrenching change in their lives. You can be sure, Mr. Chairman, that they are going to have to deal eventually with this union and this union's representatives, and we intend to assert the full legal rights of our members in this interservice transfer.

We know that if Congress legislates a solution to this issue, as we anticipate it will, this Subcommittee will be far more open to consultation than our employer, the Federal Government, has been to this point.

What budgetary savings are claimed for these transfers? Customs would lose 638 positions and $24 million; however, these resources would be transferred to INS. By the same token, INS resources at air and sea ports would be transferred to Customs. The net effect: 0. The government claims not a dollar of savings for its proposal!

The reason is that the proposal before us is a compromise, and was deliberately labeled as such by OMB when Treasury and Justice could not agree. By contrast, the senior working group that developed options for the Cabinet Council's consideration produced five options, all but one of which entailed budgetary savings.

These options were: (1) consolidate primary inspections in Customs; (2) consolidate primary inspections in INS; (3) consolidate primary inspections at airorts in Costoms, status quo at all other ports; (4) consolidate primary inspections at land ports in INS, status quo at all other ports; and (5) consolidate full responsibility for passenger inspections in INS and retain responsibility for cargo inspection in Customs.

Of these options, it is significant that the one with the greatest savings and therefore, the most cost effective, was the first, consolidation of primary inspections in Customs. According to Customs, Option 1 would save 973 staff-years and $27 million. INS disputed these figures by maintaining that if Customs took over primary inspections, INS would require additional positions for secondary inspections. However, this view was contrary to the working group's assumption that, through proper training, no additional resources for secondary would be required.

Customs performed a detailed study of the additional resources required at each port of entry for full consolidation within Customs. It concluded that with 518 additional positions and no additional overhead it could assume the primary inspection

mission at all ports. These 518 positions are less than half the amount presently expended by INS on primary inspections, so there would be substantial savings from full consolidation within Customs. After subtracting $10 million required to fund these 518 positions, the Working Group estimated annual savings of $27 million from this option.

Later, Customs stated that it could assume the entire primary inspectional mission with no increase in resources. This would make the annual savings a minimum of $37 million, not counting future gains from streamlined procedures and consolidation of support systems and other overhead.

In its study, Customs found that with only 286 additional positions it could take over the entire inspectional mission at land ports. There would be no requirement for additional overhead or support systems, which were already in place. Customs would simply absorb immigration inspections at considerable productivity savings, in the same manner that it has taken on responsibilities for 40 other agencies at the border.

By contrast, if the Administration's proposal is adopted, savings would be zero and the nation would end up with two border management agencies. As the draft Memorandum of Understanding between Customs and INS makes clear, INS would not only have responsibility for primary inspection of persons at land borders, but it would also have primary responsibility for all inspections, other than cargo inspections at the largest ports. At small ports, there will be no Customs presence and INS will inspect and process documentation for commercial merchandise. INS will perform both primary and secondary inspections to meet Customs' requirements with respect to commercial cargo.

At larger ports, there will be a Customs secondary to inspect and process cargo. But the INS port director will have sole responsibility for primary inspection of all traffic so Customs will lack on-the-spot authority to insure control over cargo so that its requirements and those of other agencies are met. This situation would be highly disruptive of narcotics, commercial fraud, Exodus and other programs Customs is charged with enforcing.

Only at the largest ports (Detroit, Port Huron, Buffalo, Lewiston, and Champlain) would Customs continue to inspect commerical trucks entering designated commerical vehicle primary lanes, and process all cargo.

The Memorandum of Understanding makes INS the exclusive authority in dealing with the independent governing bodies that control the flow of traffic across the U.S. border with respect to the primary processing of private passenger vehicles, taxis, buses, pedestrians and passenger trains. It makes Customs the exclusive authority in dealing with the independent bodies that control the flow of commercial trucks across the U.S. border into the primary or otherwise designated lanes. Without doubt, the Administration's proposal would continue to divide responsibility for enforcement at our land borders, and do so in a manner that is highly disruptive of existing Customs programs.

There would be costs to the business community as well. At the so-called "small ports" on the land borders, where Customs' presence is to be withdrawn, the importing community is rightly alarmed at having to deal with a new agency for processing merchandise. Presently, Customs Inspectors are teamed with Import Specialists for inspecting and processing cargo. Importers now face the prospect of having to deal with two agencies, one for inspection and one for entry processing. The teamwork and sharing of expertise between Customs Inspectors and Import Specialists will be eroded by placing them in separate agencies, and the importing community will bear the burden of foul-ups and misunderstandings between the two agencies.

The Administration's proposal also perpetuates wasteful duplication between Customs and INS. Under the Memorandum of Understanding, each agency maintains responsibility for its existing enforcement support systems (TECS for Customs and Service Lookout Book/Central Index for INS), and each agency is authorized to continue to develop system that will enhance primary inspection. This duplication would be avoided if primary inspection at all ports were consolidated in a single agency. Moreover, INS presently lacks an automated system except at one airport, so making Treasury the single manager for enforcement support systems is an obvious solution.

Let me now recapitulate the arguments for consolidation of primary inspections entirely within Customs.

First, Customs is the nation's principal border management agency. It carries out responsibilities for 40 other agencies, and can do so for INS. There should be a single agency charged with border inspections.

Second, Customs is better prepared than INS to do the job. It has more Inspectors than INS at all ports of entry. It is now performing 60 percent of all immigration primary inspections.

Third, border management is Customs' sole business, whereas INS has other responsibilities. INS devotes minimal resources to border inspection because only .3 percent of those inspected are denied entry, and the principal threats it must counter are aliens crossing between ports of entry and overstaying their entry visas. The *Grace Commission Report* makes this point when it states:

"Note that although the INS staff has risen by 47 percent since 1971, its inspection staff increases have totalled only 7 percent. Customs' staff, however, has risen only by 2 percent, although its inspection staff is up by 22 percent."

Fourth, consolidation within Customs is the most cost-effective of the options available, with minimum savings of $27-$37 million annually, according to data developed by a senior working group chaired by OMB.

Fifth, there is a large potential for future savings through streamlining forms and procedures, new technology, and new enforcement and facilitation techniques. The potential saving is less if consolidation extends to air and sea ports alone, which handle 13 percent of traffic, or if consolidation is divided between Customs and INS as in the Administration's proposal.

Sixth, consolidation within Customs will, during off-peak hours, provide additional staff for cargo inspection, thereby strengthening narcotics and commercial fraud enforcement programs. INS claims that this is off-set by its loss of capability to process aliens' claims and other adjudications which are processed by Inspectors during downtime, but its own studies have shown that distributing adjudication workload to ports to fully utilize Inspector downtime is an inefficient means of processing such workload.

Seventh, Customs has automated enforcement support systems, including TECS and intelligence support, in place and a long track record of developing such systems, whereas INS has little or no such experience.

Eighth, consolidation within Customs is the least disruptive and easiest to implement because it maintains continuity with 40 other Federal agencies whose border interest Customs represents, and it does not require carriers, port operators, and the business community to deal with two agencies instead of one.

Ninth, overtime costs to the government would be reduced by an estimated $1.5 million per year through carrier reimbursement of inspectional overtime.

Tenth, immigration inspection is a straightforward process which Customs Inspectors are already performing; they can more readily take on immigration inspection than having INS become involved in merchandise inspection, narcotics enforcement, Exodus, and the requirements of 40 other agencies.

The obverse of these points is that consolidation in INS would be an unrealistic solution. It would fragment total border inspection responsibilities to an even greater degree, double the need for coordination for the 40 agencies requiring border support, give INS extensive new responsibilities which it is ill-prepared to absorb, and reduces narcotics enforcement at the worst possible time. It would reduce efficiency by maintaining redundant enforcement support systems, reducing the public to deal with too large border agencies whose interests may often conflict, and reducing the ability to shift resources between passenger and cargo inspection. When one considers the massive illegal immigration problem between ports of entry, and the major new tasks INS will confront if Simpson-Mazzoli is enacted, it becomes clear that consolidation in INS would be unwise. The nation needs a single border management agency, not two.

Nevertheless, INS has opposed consolidation within Customs. INS has argued that this option would: (1) fragment immigration procedures between two agencies and thus weaken immigration control at a time when document fraud is pervasive; (2) give Customs primary control of 61 percent of travelers who are aliens and should be under INS control; (3) require increased staff for INS secondary inspections resulting from more secondary referrals when Customs Inspectors perform primary inspections; and (4) require increased staff to process adjudications if primary inspectors cannot be utilized during downtime.

These arguments do not hold water. The major immigration threat is between, not at, ports of entry. While INS has an interest in 61 percent of the travelers who are aliens, Customs has an interest in 100 percent of them from the standpoint of narcotics, agriculture, public health and other enforcement requirements. Given that in excess of 500 experienced INS Inspectors would voluntarily transfer to Customs, and Customs' Inspectors would receive additional immigration training, there is little basis for presuming a sharp increase in secondary referral. Finally, since consolidation could take place with little or not shift of funded positions from INS to

Customs, INS would be left with sufficient positions to discharge its adjudications workload.

The Administration's proposal is a half-way house resulting from OMB's decision to opt for a compromise rather than impose a solution on the Attorney General. When one considers that 88 percent of all travelers and a large volume of our foreign trade crosses the Canadian and Mexican borders, there is an instant realization of how foolhardy this course would be. Let me summarize the principle points. This course would:

Undermine narcotics interdiction by fragmenting responsibility between two agencies;

Require INS to take on responsbility for enforcing requirements of 40 different agencies, a mission for which it has no experience and is ill-prepared;

Require the importing community at all but the largest ports to deal with INS as well as Customs in processing commercial cargo;

Achieve zero budgetary savings, and probably cost the government money by retaining two separate enforcement support systems;

Create far greater disruption at land ports by giving the mission of Customs, a multi-function and service agency, to a single-mission agency, INS;

Fail to recognize that Customs is already processing 60 percent of the immigration workload at land borders; and

Preclude achieving the long-range savings that would flow from full consolidation in a single border management agency.

On behalf of the employees of the U.S. Customs Service, I strongly urge the Subcommittee to reject the Administration's proposal to assign primary inspection responsibility to INS at land borders, and to opt instead for full consolidation within Customs at all ports of entry. The times demand a single U.S. border inspection agency. This will permit INS to concentrate on the crux of the illegal immigration problem, movement between ports of entry and overstaying entry permits. This Subcommittee can strike a blow for both stronger enforcement of the narcotics and trade laws, and stronger immigration control, by adopting our proposal.

ADEQUACY OF INSPECTORS AT PORTS OF ENTRY

According to the U.S. Travel Data Center, visitors from abroad contribute more than $12 billion annually to the United States economy, generating over $1 billion in Federal, State, and local tax revenues and supporting 320,000 jobs. We have a national policy of encouraging foreign visitors to this country. This has led in recent years to the rapid growth of passenger arrivals at our land, sea, and air ports of entry, visibly taxing Customs' capabilities. Foreign visitors are now coming to the U.S. at the rate of 20 million a year, about 8 million from overseas and the remainder from Canada and Mexico.

This country has too much to lose by imposing roadblocks to the expansion of our tourism industry. Yet, as any visitor to our international air terminals and many other ports knows, even during peak hours many Customs processing lanes are closed for lack of staff. What is more, many cities and regions are seeking to participate in the growing tourist trade by becoming international gateways, and the inability to provide sufficient Customs Inspectors to staff these new facilities is painfully apparent.

The U.S. market share of international tourism has been falling in recent years. According to the Travel and Tourism Government Affairs Policy Council, the United States now gets only 8 percent of foreign tourists. A principle deterrent, according to the Congressional Tourism Caucus, is the long Customs lines that greet foreign visitors.

This situation can be traced directly to the Reagan Administration's short-sighted budgetary policy. The number of Customs Inspectors in FY 1984 is almost 100 less than in FY 1981, and in FY 1985 the Administration is calling for a further cutback of 452 Inspectors. This proposal comes at a time when the Air Transport Association, after a thorough survey, found that a minimum of 236 additional Inspectors was needed at airports alone.

In addition, many land border ports are still experiencing long lines during peak hours. Each year on the floor of the House, the Congressional delegation from Texas had demanded additional Inspectors for the ports of that State. Were it not for the economic crisis afflicting Mexico at the present time, and drying up much of the tourist traffic, the situation in the Southwest would be much worse than it is at present.

At several international airports, Customs has introduced a new passenger clearance system, known as Red/Green. The theory behind this system, which Customs

seems to be touting as the wave of the future, is that by giving passengers the opportunity to self-select either the green lane (no Customs items to declare) or the red lane, passenger facilitation is improved without reducing enforcement. The system is augmented by roving Inspectors who monitor passengers both in primary lanes and baggage areas, and who may designate individuals for immediate by-pass or for detailed secondary inspection.

This system, like many Customs has introduced in the past, might work if sufficient numbers of Inspectors were available. For any system to work, there must be adequately staffed primary lanes and an adequately staffed secondary. In the Red/Green system, there must be sufficient numbers of Inspectors to conduct primary inspection of passengers selecting green lanes, as well as red lanes.

To start with an insufficient number of Inspectors, an inadequate secondary, a few rovers, and a handful of green lanes where passengers are whisked through with only cursory examination because to do otherwise would create a log-jam or a riot, is simply non-enforcement disguised as "selectivity". Customs management is insisting that putting passengers on the honor system, with inadequate primary and secondary inspection, and general supervision by a few roving Inspectors is the answer to clearing the terminal before the next wide-body jet comes in. The gain in passenger facilitation is much approved by the airport operators and carriers. It is only our country that suffers from lack of an effective deterrent against drug smugglers, terrorists, and criminals of all types.

You have been told again and again that selectivity is the answer, and I expect you will be told repeatedly that Red/Green is the answer. But I am here to tell you, on behalf of our Customs Inspectors that you are being deceived. These systems are a pretense that enforcement still exists, when it is being discarded. The only answer to adequate facilitation and enforcement is to provide an adequate staff.

Our Inspectors are doing a splendid, courageous job. The trouble is there are not enough of them. Customs touts their seizures of narcotics and other contraband as proof that enforcement has not flagged. This praise is merited. But Customs management should come clean and tell the full story, what is not being intercepted, what it getting through.

I'd like to read a brief passage from a letter our New York Chapter recently wrote to Customs management officials:

"On Tuesday, October 25, 1983, twelve Inspectors faced 1,447 passengers on one side of the Pan Am terminal. The passengers all arrived within 25 minutes. Once again, Inspectors refused to risk generating a riot and succeeded by ignoring their jobs."

So much for selectivity and Red/Green. We trust the Subcommittee will ignore these delusions and approve our recommendations for additional Customs Inspector positions.

ADEQUACY OF INSPECTORS FOR COMMERCIAL FRAUD ENFORCEMENT

The vast amount of commercial fraud designed to evade tariffs or quotas, to avoid anti-dumping or countervailing duty penalties, or to procure entry of counterfeit products has been amply documented by the Oversight and Investigations Subcommittee of the House Energy and Commerce Committee. The loss to U.S. firms from counterfeit products alone has been estimated by the International Trade Commission as $6-8 billion annually. Much of this loss could be prevented if adequate numbers of Inspectors were available to inspect commercial cargo at our ports of entry.

One of the best indicators available to the adequacy of cargo inspection is the rate of inspection of containerized shipments. Large containers now account for more than 70 percent of U.S. seaborne commerce, and are a growing proportion of air and surface shipments. In FY 1980 Customs performed a total of 81,234 inspections on a total of 2,800,000 arriving containers, for an inspection rate of 2.9 percent.

Since that time, the inspection rate has fallen as Customs introduced "selectivity" in cargo inspection through the ACCEPT program. ACCEPT, which stands for Automated Cargo Clearance and Enforcement Processing Test, is another area where Customs is moving headlong toward adoption of a new inspection system without proper evaluation of the impact on enforcement. The idea behind ACCEPT is that since Customs can make only a limited number of inspections, these should be concentrated on "high risk" shipments where the pay-off is potentially greater for the resources expended.

The problem is how to determine which are the "high risk" shipments. It is not possible to set up a computerized system for fingering the shipments to be checked, as ACCEPT attempts to do, without a great deal of data collection and construction of profiles of the characteristics of "high risk" shipments and "high risk" importers.

There is no evidence that Customs has collected this data and constructed the profiles, let alone tested them. What we can expect from this system is "garbage in, garbage out". The system will do a less than adequate job in guiding Inspectors to the shipments that need checking.

Since there are too few Inspectors, ACCEPT is a rationalization for performing fewer and fewer inspections while commercial fraud mounts. Once again, Customs contends that enforcement has not suffered, pointing to the results obtained from the efforts of Inspectors and Contraband Enforcement Teams. But the House Commerce Committee's hearings on the volume of commercial fraud have reduced this claim to tatters.

The fact is that a minimum number of inspections are required to provide a sufficiently high probability of interception of illegal shipments. When staff is insufficient, the limited number of inspections may indeed produce results, but when those results are extended over the entire population of shipments, they demonstrate that a massive amount of illegality is not being caught. Customs' use of "selectivity" is simply a rationalization of the circumstances in which it finds itself lacking an adequate staff to do an effective job.

NTEU has conducted an analysis to determine the magnitude of the shortage of Inspectors in containerized cargo processing essential to commercial fraud enforcement. Our analysis shows that in order to raise the number of inspections to 105,000 per year, 483 additional Inspectors would be required. Even so, only 3.5 percent of all containerized shipments would be inspected. The NTEU analysis is presented for three different enforcement levels in Table 4, appended to our testimony.

Many containers proceed in-bond to Customs bonded warehouses. Last year, Customs removed its physical presence from the bonded warehouses, in effect placing the warehouse proprieters on the honor system. At that time, we urged this Subcommittee to halt this program, arguing that the potential for fraud, abuse, and scandal is huge. Our fears were amply borne out by the findings of the Oversight and Investigations Subcommittee of the House Energy and Commerce Committee. That Subcommittee has now urged re-establishment of the Customs warehouse program. We fully support this move, and urge you to authorize the required resources.

ACCEPT is supposed to be a computerized system, with a central computer designating to the Inspector which shipments are to be inspected. In many ports, however, a computer hook-up is not available, or may not be functioning, so a "manual" ACCEPT has been instituted. This means a headquarters supervisor designates the inspections to be made. From the standpoint of enforcement, both computerized and manual ACCEPT are utterly phony and untested systems. Their principle effect is to limit the number of inspections, thereby speeding the flow of merchandise from docks to warehouses without inspection, greatly multiplying the opportunity for commercial fraud.

In order to implement ACCEPT, Customs has had to rewrite the Tariff Act of 1930. Section 499 of the Act requires inspection of not less than one package of every invoice and not less than one of every ten packages of imported merchandise. The law authorizes the Secretary of the Treasury to provide, by regulation, that a lesser number of packages may be examined when, in his opinion, the examination of a lesser proportion will amply protect the revenue. This provision allows the Treasury Secretary to reduce the number of insepections required, but not to totally abrogate the requirement for minimum inspection contained in the law. However, on September 10, 1981, Customs issued a regulation which allows the release of merchandise with no inspection at all.

Last year, we called for public hearings on ACCEPT and the related Customs regulation of September 10, 1981. We also urged this Subcommittee to bar any funds for implementation of ACCEPT until this panel is satisfied that the public interest is protected by adequate physical inspection of incoming cargo. As for protection of the revenue, we wish to note that last year, despite a 13 percent increase in dutiable merchandise entries, Customs receipts declined by $200 million. The House Commerce Committee has expressed similar skepticism about ACCEPT.

We again strongly urge the Subcommittee to act on this important matter. We urge hearings on ACCEPT, and barring of any funds for further implementation. We also urge approval of additional Inspectors for cargo inspection and commercial fraud enforcement, as contained in NTEU's alternative budget. We wish to point out that the House Energy and Commerce Committee likewise recommended additional Inspectors for this task.

OPERATION EXODUS

Operation Exodus was initiated by Customs in late 1981 to step-up enforcement of the export control laws. The FBI had discovered a pervasive pattern of activity by Soviet agents to obtain American technological secrets by means of bribes and other enducements. Their targets were lasers, fiber optics, computers, and telecommunications equipment.

The Senate Permanent Investigations Subcommittee after a two-year inquiry has confirmed that the Soviets are engaged in a massive effort to acquire Western technology by any means, and have been able to use such technology to modernize and speed the development of their weapons systems. Such advances require responses by our own military establishment, and this increases the size of our defense budget.

As a CIA report on this subject explains:

"It is clear that the Western military expenditures needed to overcome or defend against the military capabilities derived by the acquisition of Western technology far outweigh the West's earnings from the legal sale to the Soviets of its equipment and technology."

Recently, Operation Exodus has scored some notable successes, including preventing a computer which had been licensed improperly for shipment by the Commerce Department from reaching Soviet hands; and the recent arrest of five persons, including two Chinese citizens, on charges of trying to smuggle to China electronic equipment that can be used in missile guidance systems.

Despite the importance of this program to our national security, the Administration has proposed cutting it back by $5 million to a $16 million funding level. We believe that so soon after the program has begun to bear fruit, reducing it to a token level would be imprudent. We urge the Subcommittee to reject this cut, and going further, provide the resources for an adequate export control program.

We would like also to point out that there is a turf battle brewing between Customs and Commerce which is seeking a greater enforcement role in this area. We strongly recommend that the Subcommittee look into this matter and ensure that wasteful duplication of funds and effort is avoided.

INSPECTIONAL OVERTIME

Inspectional overtime has become a critical resource for meeting Customs' growing demands for clearance of passengers and cargo. For nearly a decade, a virtually static inspectional force has had to process a growing number of air travelers and cargo shipments. With its workforce limited by OMB personnel ceilings, Customs inspectional overtime expanded to fill the gap between workload and resources.

An Inspector with overtime earnings of $15,000-$20,000 a year works an average of 62 hours a week, 52 weeks a year. A 1981 Customs study of overtime showed that, in addition to a normal 40-hour week, the average Inspector is required to work three of every four Sundays, one Saturday per month, and seven week-day overtime assignments per month. The requirement for this overtime is driven by the demand of carriers for Customs inspectional services during other than normal duty hours of the port. Because of the growing workload and limited staff, it is evident that an extensive commitment to inspectional overtime is essential if Customs is to accomplish its mission.

For Inspectors to make themselves available such long hours, particularly on Sundays and holidays when other citizens are vacationing, adequate monetary incentive must be provided. The most recent data collected by Customs shows that Inspectors are earning, on the average, 2.1 times the regular rate of pay on Sundays and 2.4 times the regular rate on the other days of the week. The Customs' study attributes the 2.4 rate of pay to the call-back of Inspectors who have left the worksite. Such call-backs frequently occur at night and at irregular hours, taking a physical toll of the Inspector. The study also confirms that the average Inspector works 7 hours on each Sunday assignment, and an average of 8 hours if holidays are included in this figure.

We are convinced that the frequent call-backs, the late-night hours spent away from home, and the physically demanding nature of inspectional duties justifies the present rate of overtime pay. Moreover, these rates of pay conform with the prevailing overtime rates in the private sector, which normally establishes double time premiums for call-back and night work, and where the typical practice is triple time for Sunday overtime and double time and one-half for holiday work.

Nevertheless, the Administration has recommended a joint Customs/INS inspectional overtime bill which would establish the rate of pay for inspectional overtime essentially at time and one-half. We believe such provision would not only be unfair to Inspectors, but would reduce the incentive to continue to work long hours at a

time when the Service is stretched thin and already lacks adequate staff. Such proposals only go to show how insensitive and callous this Administration can be. We would like to offer those who helped prepare this proposal the opportunity to work with a Customs Inspector for just one day at one of our airports. We believe they would begin to question the desirability of perpetrating this outrage. We urge the Subcommittee not to be deceived by their specious claims, and to firmly reject any attempt to modify the rates of pay specified in the Act of 1911.

We also urge the Subcommittee to remove the $25,000 cap on Customs Inspector overtime earnings. The overtime cap has long outlived its usefulness.

Proponents of the cap claim to be acting in the employee's interest but limiting the amount of overtime Inspectors could be compelled to work. However, the overtime cap had exactly the opposite effect and completely eliminated the voluntary aspect of overtime. This is because Inspectors are required to rotate overtime assignments so that the earnings of all can be equalized.

Prior to imposition of the cap, Inspectors were able to work out an allocation of overtime duty which took into account their personal needs. Inspectors who wanted to earn more money and were willing to sacrifice their free time or work late at night volunteered for overtime, while Inspectors who had family obligations or other commitments did not. And although this system lead to an imbalance in earnings, morale, efficiency, and productivity were greatly enhanced.

We strongly believe that employees willing and able to work overtime without foregoing family obligations should be permitted to do so, and that the burden of forced overtime should be minimized. Morale at the workplace is fostered by allowing individual preferences to play a greater role in the assignment of overtime, not by a rigid policy of equalization of earnings.

For the past two years, Customs itself has urged Congress to remove the overtime cap. Treasury Department officials have testified that, in addition to costing $1 million a year to administer, the cap is preventing Customs from properly allocating its limited resources among ports experiencing different rates of growth. It should also be noted that over 50 percent of all overtime is reimbursed to the government by the carrier which requests clearance after normal port tours.

Last year, Customs asked for administrative flexibility in use of the cap, stating that it would save the government money. The delegation of authority to waive the cap was granted by Congress. We submit that the time has come to remove the cap completely, in favor of Customs internal controls. We strongly urge the Subcommittee to adopt this course of action.

TARIFF AND TRADE

The importation of foreign merchandise into this country now stands at the highest level in history. In the seven-year period between 1976 and 1983, merchandise imports doubled. In 1965, 4.3 percent of manufactured goods were suppled from abroad. By 1980, this figure was 13.5 percent.

The U.S. merchandise trade deficit stood at $42.7 billion in 1982, rose to $69.4 billion in 1983, and could reach $120 billion this year according to economists. The change is mirrored in the fierce competition experienced by U.S. industries. In 1965, the U.S. exported five times more machine tools than it imported. It now imports more than twice what it exports. U.S. motor vehicle parts suppliers had a positive trade balance of $2 billion in 1980, and a −$1.5 billion in 1983.

In consumer electronics, textile machinery, industrial fasterners, and footwear, imports are now 50 percent of consumption and rising at 13-26 percent per year. Steel imports are now 20 percent on consumption and growing at 10 percent a year. In basic steel, 200,000 jobs have been lost since 1978.

According to a recent Data Resources Institute (DRI) study, virtuall every U.S. industry has suffered from a major worsening of import penetration. A large segment of American industry, 60–75 percent by some estimates, must now compete actively with firms based abroad either in world markets or at home, according to former Treasury official Fred Bergsten.

DRI estimates that the decline U.S. manufacturing due to imports will cost up to 2 million jobs this year. The attendant loss of manufacturing capacity is "de-industrializing" the nation's economy. Said DRI:

"A nation that casually surrenders leading industrial positions through policies of neglect will find it difficult to stage a comeback."

These developments pose large issues of public policy that relate directly to Customs' commercial trade law enforcement. As Chairman John Dingell asked the House Energy and Commerce Committee:

"Is it feasible to rebuild the so-called smoke stack industries, such as steel, if domestic manufacturers cannot be protected against unfair competition from dumped imports? And . . .

"Is is realistic to count on continued high capital investment and resulting economic expansion in the high technology sector if the fruits of the costly research spending are stolen by foreign competitors?"

Commercial fraud embraces a host of illegal activities aimed at circumventing our trade laws, such as misclassification of merchandise to evade tariff or quota, evasion of anti-dumping or countervailing duty investigation, false labeling, document forging, and product counterfeiting. With lax commercial fraud enforcement, the dice are loaded against American industry. Effective commercial fraud enforcement is not a protectionist measure. It is a matter of justice, requiring proper enforcement of our trade laws.

In this area, Customs has been exposed in recent months like the emperor with no clothes. The scandalous lack of Import Specialists, who are the backbone of Customs' trade law enforcement, has prevented the proper review of entry documentation for half the merchandise entering the country. Coupled with this is the inability to inspect all but a tiny fraction of the cargo.

In a headline story by the Media General News Service last year, U.S. trade officials who declined to be identified stated that Japan and other countries are illegally shipping hundreds of millions, and possibly billions, of dollars in imports annually into the United States past the Customs Service. One U.S. trade official said Customs could assess fines against "one Japanese trading company a week if they had the resources". Customs' new commercial fraud program is catching only a miniscule proportion of violators, according to these sources.

Customs has tried to cover up its failure by launching a steeped-up commercial fraud program, Operation Trip-Wire, but the revelations of the Oversight and Investigations Subcommittee on the Energy and Commerce Committee show that effort to be nothing more that a fig leaf. Called on the carpet by his business constituency, the Customs Commissioner has cranked up new programs—now for textiles, now for steel, now for electronics. Unfortunately for Mr. Von Raab, he can run but he can't hide.

If Mr. Von Raab and his cronies had shown a much enterprise in fighting Treasury and OMB for a realistic Customs budget for commercial fraud enforcement as they are in starting new programs with fancy names to pretend they are making progress, our nation's economy would be far more secure than it is today. It is interesting that when Customs set up its Commercial Fraud Enforcementcenter and regional enforcement teams, the individuals it called upon were the Import specialists—a group it has downgraded, reshuffled, decimated, and demoralied for the past four years. Suddenly, it seems, Customs management is relearning that the backbone of commercial operatons is the Import Specialist.

NTEU has brought the growing shortage of Import Specialists relative to rising entry workload, and the disastrous policy of "by-pass" by which Import Specialists do not review 50 percent of entries, to the attention of this Subcommittee for the past four years. The dimensions of the problem have now become painfully obvious. Relative to Hitachi's attempt to acquire design information and component parts of IBM's latest generation of business computers, Chairman Dingell wrote Chairman Roybal last year:

"As recorded on tape, the FBI undercover agent asked senior Hitachi engineers how they planned to get past Customs, what they believed to be stolen IBM component parts, which were the size of a pool table. Amidst laughter, the Hitachi officials stated that U.S. Customs is no problem."

Just recently, the U.S. International Trade Commission and the House Oversight and Investigations Subcommittee both released reports on the flood of counterfeit products entering the U.S. market. The ITC said that counterfeit goods cost U.S. companies $6-8 billion a year and the loss of 131,000 American jobs. The House Subcommittee said that the U.S. auto parts industry estimates that it loses $3 billion in sales each year because of counterfeit products and that "dangerously substandard parts" for helicopters have been faked. Said Chairman Dingell:

"Any American who drives a car, flies in an aircraft or depends upon a wide range of medical devices, pharmaceuticals, or personal care products is placed in jeopardy because of substandard and dangerous foreign counterfeit products."

Calling funding for the Customs Service "woefully inadequate", Mr. Dingell said that 'the decline in this country's international competitiveness is due, at least in part, to inadequate policing of our laws against illegal and unfair foreign trade practices." The Reagan Administration's budget plan to cut the number of Customs em-

ployees is "a form of fraud against the American worker and consumer." The Chairman has recommended a $29 million increase above full restoration of the cuts.

Shocked into action by Customs' inability to deal with a torrent of fraudulent imitations, many companies have hired their own investigators. Undercover witnesses at the Dingell hearings told how U.S. electronics technology is stolen, copied and exported back to this country. Apple Computer investigators identified one plant in Taiwan capable of producing 3,000 fake Apple computers each month. When fake Apple computers appeared recently in Philadelphia, the company's agents tipped off Customs and a large quantity which had been shipped concealed as machinery was seized. The U.S. manufacturer of "Cabbage Patch dolls" led Customs to the importer of counterfeits which were unsafe by U.S. standards for flammability. Such efforts are a measure of the cost to U.S. industry of dealing with a problem that Customs lacks the resources to cope with.

Steel fraud is pervasive. The Chairman of the Steel Caucus, Senator John Heinz, told the Dingell committee that there are currently 40 active cases of steel import fraud under investigation. Describing the lack of physical facilities at U.S. ports for detecting fraud, and lax enforcement resulting in only minor slaps on the wrist, Senator Heinz concluded that:

"Investigations proceed at a snail pace, fines are inconsequential, convictions rare, resources shrinking and the deterrent nill. Our government has unwittingly issued an invitation to 'fraud without fear' ".

Senator Heiz pointed out that Commerce Secretary Baldridge had stated that aggressive enforcement of our trade laws could limit steel imports to 15 percent of the U.S. market. Customs' resources are inadequate to the task, and:

"Customs has compounded the problem by proposing a program to drastically reduce the manpower levels of Import Specialists at the same time it has proclaimed import fraud as an area of renewed emphasis. Import Specialists are essential to fraud detection and they need additional support, not lip service. And they certainly do not need cutbacks."

This view was echoed by the Dingell committee which said:

"When faced with the problem of unfair trade practices which result in a substantial loss of revenue to the government, the agency has apparently chosen to reduce entry document scrutiny rather than increase personnel."

The Dingell committee also faulted mis-utilization of Import Specialists which led to loss of expertise.

"Certain ports, notably Chicago, have adopted a system of rotating the Import Specialists' commodity assignments, thus reducing whatever expertise may remain. . . . In one port with a very large textile and apparel fraud problem, the number of import specialists has been reduced to three. In addition, one was given the assignment of monitoring apparel imports for most of the world after only one week's training. In another port which handles a large volume of steel, an Import Specialist with only a few months of experience and virtually no expertise in steel was given that commodity line. . . . Part of this system is the 'by-pass' program, under which the entry documents are not reviewed at all. There is great pressure on district directors to increase the number of entries on 'by-pass'. 'By-pass' guidelines are built into the performance evaluation requirements for Import Specialists in some ports. Even where they are not, the 'by-pass' goals often exceed 70 percent of all entries of non-restricted merchandise. To me, this would appear to be a license to steal."

On behalf of the Import Specialists of the U.S. Customs Service, I am here to tell you that Mr. Dingell is dead right. Customs management seems determined to destroy the priceless expertise of the small corps of Import Specialists who are the nation's principle defense in these difficult times. By failing to fill Import Specialist vacancies, cutting off Import Specialists from the trade community by centralizing them at only a few ports, downgrading their role through by-pass systems, and introducing "import generalists" and "industry import specialists", Customs is gradually destroying the talent and expertise upon which the nation must depend to deter and prevent commercial fraud.

Two examples are the so-called "centralization of appraisement" and automated broker interface (ABI). Customs has once again come forward with a plan to close, or reduce the number of Import Specialists assigned to, many "appraisement" (Commercial Operations) offices around the country. Such action would not only have a drastic impact on the business community, which relies upon face-to-face contact with Import Specialists, but it would also reduce the number of visits to importers' premises which are important for proper classification and value decisions, and correction of broker errors. The 7,000 or 8,000 visits to importers' premises made by Import Specialists each year alone produce enough revenue to finance the entire

Import Specialist payroll. Moreover, being based at ports of entry enables Import Specialists to team with Inspectors as a powerful deterrent to commercial fraud. All told, Customs has proposed 23 locations for centralized appraisement for reduction of Import Specialists in FY 1985.

Last year, Congress rejected this Customs plan and barred the use of funds to implement it. We strongly urge the Subcommittee to legislate a permanent prohibition this year.

The automated broker interface (ABI) allows Custom house brokers, representing importers, to electronically transmit data to Costoms. The system is in use, or planned for use, at New Orleans, Buffalo, Houston, Philadelphia, and Baltimore, with plans for expansion nationwide. Import Specialists have always strongly supported sensible automation efforts in the past, but in view of Servicewide by-pass requirements and continued high rates of broker errors on entry documents, most of which favor the importer, they fear that this new system will not provide adequate scope or judgment in processing entry documents. The result would be inadequate control over quota and restricted merchandise, loss of revenue, and reduced accuracy of trade statistics.

To illustrate, if a broker doesn't enter the right tariff classification, and the merchandise is of a type that requires sampling to determine admissibility, samples won't be taken and the product will enter. On by-pass, the Import Specialist might not even see the entry. In this way, the system loses control.

Candy can be classified into 20 different categories under the tariff schedules, ranging from 0–17.5 percent duty. If the broker's clerk makes an error, and only a Customs clerk reviews the entry under by-pass, the scope for error is obvious. In the past, scissors have been invoiced as hand tools. Sugar is invoiced as cookies; the entry for cookies is by-passed, but sugar is under quota.

Customs management objects to pre-entry review by Import Specialists of brokers' documentation. But this practice gives the Import Specialist the ability to correct errors in classification and value, and ensure accurate trade statistics are reported to the census Bureau.

There have been many studies and tests by Costoms which have documented various broker error rates, normally averaging about 30 percent. Nevertheless, Customs does not seem to have developed ABI with quality control in mind. The problem is compounded by the by-pass system. The Dingell committee drew attention to this problem by recounting a test made by Customs last year.

"Last spring, an experiment with 100 percent by-pass was carried out in the Chicago district. For 30 days, all entries of non-restricted merchandise were accepted as submitted. The Import Specialists then had 30 days to review these entries. Under the pressure of a doubled workload, the error rate uncovered was 21 percent. Even more important, Customs brokers and large importers had been officially notified of the test, thus skewing the results toward fewer errors. Moreover, 35 percent of all entries were on by-pass, and these were excluded from the test. The government collected $1,500,000 in duties that would have been lost under 100 percent by-pass."

The solution to these difficulties lies in (1) ensuring an adequate number of Import Specialists, (2) upgrading their role and maintaining their expertise, (3) distributing them more widely among the business community rather than centralizing them in fewer locations, (4) reducing the by-pass rate to an acceptable level, (5) ensuring that Import Specialists review all entries to determine whether by-pass should be made, (6) allocation of sufficient Import Specialist staff-years for pre-entry review and adequate quality assurance, and (7) consulting with Import Specialists before planning further development of the Automated Commercial System (which includes ABI) so their collective expertise can be brought to bear in shaping this new system.

NTEU has completed two new studies of the adequacy of the number of Import Specialists to process the growing entry workload and to deter commercial fraud. The first analysis is presented in Table 3, appended to our testimony. It shows that while the number of merchandise entries will double from three million to six million between 1975 and 1985, the number of Import Specialists will decrease from 1,262 to 1,042 at present funding levels, and to 875 if the Administration's budget is adopted. Assuming an average annual rate of productivity growth of 4.3 percent per year, the number of entries each Import Specialist would be capable of processing in 1985 would be 3,900 entries. Dividing this into the entry workload yields 1,535 Import Specialists required as a minimum adequate staff, which is 500 positions above the present level.

At the request of the House Energy and Commerce Committee, NTEU also developed estimates of the number of Import Specialists, Customs Inspectors, and Special Agents required for adequate enforcement and deterrence of commercial fraud at

three different enforcement levels. The results of this analysis are shown in Tables 4 to 7, appended to our statement. Table 5 shows the number of Import Specialists required when the rate of by-pass is 20 percent, 25 percent, and 35 percent. For 20 percent by-pass, 1,400 Import Specialists would be required, or 358 above the current level.

The average rate of revenue return per appropriated dollar throughout the Customs Service is $17 to $1. Assuming a marginal rate of return of just half this amount, the additional revenue that would be produced by 358 more Import Specialists would be $161,500,900.

NTEU believes that Congress should establish as a goal an additional 500 Import Specialists, to be attained over a three-year period. Last year, 150 additional Import Specialists were authorized, but funds were not appropriated. We again strongly urge the Subcommittee, in the face of the massive trade law enforcement problems facing the nation, to allow an additional 150 Import Specialists above the current level for Fiscal Year 1985.

TACTICAL INTERDICTION

The dedicated men and women of the Customs Patrol are responsible for the interdiction of narcotics and contraband entering the United States by air and sea or across our land borders. Patrol functions include air and marine interceptions, covert operations, participation with contraband enforcement teams in cargo enforcement operations, participation in Exodus and commercial fraud task forces, and use of mobile strike teams to respond to smuggling activities.

Special action units of the Customs Patrol are designed to ferret out activities which evade normal Customs processing. These special action units possess unique knowledge of cargo movement and documentation, vessel search and surveillance procedures, smuggling and other criminal techniques, and ability to operate from aircraft, ship, and surface vehicles. They work hand in glove with other elements of Customs, spanning the gap between inspections and investigations.

As we have previously stressed, Customs Patrol Officers at land ports of entry are specially trained to support the Customs mission. The Administration's proposal to transfer 165 of these positions to INS would gravely weaken narcotics, Exodus, and commercial fraud enforcement efforts. These specialized resources should be left within Customs, and we strongly urge the Subcommittee to bar their transfer.

Last year, the Commissioner of Customs testified before the Select Committee on Narcotics Abuse and Control on the serious threat of narcotics smuggling by ship in our coastal areas. The Commissioner stated, "The threat we face in the marine area is again tremendous, it's one particular area where we are going to try and beef-up our resources."

We were therefore surprised to see that the Customs Tactical Interdiction function, and particularly the marine program, are scheduled for cutbacks totaling 32 positions and $1.8 million. According to Customs, this reduction will be achieved by a more selective number of special operations, utilizing them to combat only the most critical enforcement problems, and by organizational realignments.

We believe that in view of the major drug threat, and the deterrent to smuggling and criminal activity provided by the marine patrol, these cuts are unwise and should be rejected. The alternative budget we have presented restores these cuts completely.

A final question remains with respect to the Customs air patrol. This vital program must continue to be strongly supported, and we commend the Subcommittee for its efforts in developing a second Customs air module as well as procurement of aircraft, radar, and other assets from the Department of Defense.

However, the Customs budget for Fiscal Year 1985 is predicated upon receipt of $11 million from the Department of Defense for operation and maintenance of the Customs air support program. Our inquiries have disclosed that this matter is still under consideration by DOD, and no interagency agreement has yet been completed. We believe the assumption that DOD will provide this funding is unwarranted at this time, and we urge the Subcommittee to provide this amount in the Customs budget. The alternative budget we have presented includes this sum.

We have earlier described the vast dimensions of the commercial fraud threat to this country. Countering this threat will require strengthened enforcement of Customs patrol at air, land, and sea ports of entry. We need stronger patrol of our docks and harbors, and better surveillance of bonded warehouses and foreign trade zones. The Dingell Subcommittee has stated:

"That serious problems existed with bonded warehouses should be no surprise. Lax enforcement in previous years had led to several scandals involving goods disappearing from bonded warehouses.

"Customs officials experience even more problems with foreign trade zone warehouses. These are intended to house merchandise for re-export. It is Customs' policy not to inspect the goods as they enter or leave the zones. In one part of the country, counterfeit jeans were being sold in the foreign trade zone. Shirts reportedly scheduled for trans-shipment to South America were on their way to New Jersey when discovered. Perfume was magically transformed into baby shampoo and sand in another warehouse. Stories abound of containers full of goods entering foreign trade zones and exiting empty or filled with other goods. Falsification of paperwork appears to be a simple matter."

Customs will not get a handle on this problem without more special enforcement operations, strengthened contraband enforcement teams, and investigations in which Customs Patrol Officers participate. We believe there should be a long-range plan for strengthening this arm of the Service, and we ask the Subcommittee to approve 50 additional positions above restoration of 32 positions cut by the Administration, in Fiscal Year 1985. The funds for these positions are contained in the alternative budget we have presented.

SUMMARY OF NTEU'S RECOMMENDATIONS

NTEU recommends:

Approval of $693,443,000 and 1,473 average positions for Customs for FY 1985. This is an increase of $91 million and 1,704 average positions above the Administration's budget request. The increase includes $56 million and 954 average positions to restore cuts made by the Administration and maintain current operating levels. It also includes an additional $35 million and 1,704 average positions for 450 Inspectors, 150 Import Specialists, 50 Customs Patrol Officers, and 100 Special Agents to strengthen Customs enforcement. It also restores $5 million cut by the Administration from the Exodus program.

As the nation's principle border management agency, Customs should be assigned primary inspection responsibility at all ports of entry. The plan to consolidate primary inspections within Customs at air and sea ports should be approved and implemented, but the plan to transfer primary inspection responsibility and Customs Patrol positions at land ports to INS should be rejected. Customs should be assigned responsibility for primary inspection at land ports of entry, thereby freeing resources for the Border Patrol, which could concentrate on its mission of apprehending illegal aliens between ports of entry.

The Subcommittee should initiate a full inquiry into the ACCEPT program, and not authorize Customs to proceed with this program except in accordance with an approved plan, including phasing in of additional inspectional resources, to deter and minimize narcotics smuggling and commercial fraud.

The Customs warehouse program should be re-instituted, and there should be a great Customs presence in foreign trade zones, as a deterrent to commercial fraud.

The Subcommittee should direct that Customs immediately establish criteria, and allocate sufficient Import Specialists, to ensure no more than 20 percent by-pass of merchandise entries in FY 85. Import Specialists should review most entries to determine whether by-pass is appropriate. If the number of Import Specialists is insufficient to achieve this goal, Customs should so notify the Subcommittee so that it may make an appropriate recommendation in Congressional consideration of Treasury's supplemental appropriation request for FY 1985. Customs should be required to evaluate the results of 20 percent by-pass, including impact on revenue and commercial fraud prevention, in order to permit Congress to determine whether this rate should be adjusted.

The Subcommittee should direct Customs to upgrade and strengthen the Import Specialist's role as the backbone of commercial operations, including measures to enhance professional development and improve expertise in the various commodity lines.

The Subcommittee should permanently bar the centralization of Customs' appraisement locations, and require Customs to give six-months notice of any planned port or office closures.

The Subcommittee should mandate allocation of a sufficient number of Import Specialists for pre-entry review of brokers' documentation, in order to minimize broker errors; provide for review and correction of data entered under the automated broker interface program; and consult with Import Specialists to design a quality assurance program for the Automated Commercial System (which includes ABI) to

maintain the integrity of classification and valuation requirement, tariff and quota controls, data required for anti-dumping and countervailing duty determinations, and accuracy of foreign trade statistics.

Customs Patrol should be strengthened by a minimum of 50 positions at all ports of entry, the proposed reduction of 32 positions for FY 1985 should be rejected, sufficient operations and maintenance funds for the air support program should be provided, and the amount requested in the budget for a secure radio voice communications system should be approved.

Mr. Chairman, this concludes our testimony. My staff and I will be happy to answer any questions.

TABLE 1.—U.S. CUSTOMS SERVICE FISCAL YEAR 1985 BUDGET REQUEST AND NTEU RECOMMENDATION

[Dollars in thousands]

	Fiscal year 1985 budget request		Add-on required for restoration to fiscal year 1984 level		Recommended baseline for fiscal year 1985 appropriations		NTEU recommendation		NTEU recommended authorization	
	Amount	Average positions	Amount	Average positions	Amount	Average positions	Amount	Average positions	Amount	Average positions
Inspection and control	$265,886	5,949	+$27,512	+612	$293,398	6,561	+$18,990	+450	$312,388	7,011
Tariff and trade	164,151	3,231	+10,905	+310	175,056	3,541	+7,065	+150	183,021	3,691
Tactical interdiction	78,682	1,799	+1,766	+32	80,448	1,831	+2,110	+50	82,558	1,881
Investigations	76,616	1,390	+5,000		81,616	1,390	+5,790	+100	87,406	1,490
Subtotal	585,335	12,369	+45,183	+954	630,518	13,323	+34,855	+750	665,373	14,073
Operation and maintenance, air interdiction program	17,070		+11,000		28,070				28,070	
Total	602,405	12,369	56,183	+954	658,588	13,323	+34,855	+750	693,443	14,073

TABLE 2.—NUMBER OF CUSTOMS AND TOTAL EMPLOYMENT, FISCAL YEARS 1972–85

Fiscal year	Total employment (Average positions)	Number of customs inspectors
1972	11,116	3,184
1973	11,772	3,472
1974	11,878	3,693
1975	13,076	3,803
1976	13,380	3,873
1977	13,228	3,943
1978	13,854	4,077
1979	14,061	4,174
1980	13,820	4,165
1981	13,316	4,379
1982	12,924	3,987
1983	12,898	4,122
1984	13,323	4,289
1985 (estimate)	12,369	3,837

TABLE 3.—U.S. CUSTOMS SERVICE FORMAL ENTRIES OF MERCHANDISE AND NUMBER OF IMPORT SPECIALISTS, FISCAL YEARS 1972–85

Fiscal year	Number of import specialists	Number of formal entries of merchandise	Entries per import specialist	Required number of import specialists [1]
1972	1,312	2,866,000	2,441	1,312
1973	1,304	3,240,000		
1974 [2]	1,208	3,206,000	2,650	1,208
1975	1,262	3,015,000		
1976	1,256	3,264,000		
1977	1,204	3,690,000		
1978	1,207	4,017,000		
1979	1,236	4,384,000	3,547	1,361
1980	1,219	4,374,000	3,588	1,320
1981	1,165	4,588,000	3,938	1,331
1982	1,081	4,753,000	4,397	1,334
1983	1,027	5,314,000	[3] 5,174	1,446
1984	1,042	5,617,000	[3] 5,391	1,482
1985 (est) [4]	875	5,989,000	[3] 6,845	1,535

[1] Required number of import specialists assuming productivity growth of 4.3 percent per year.
[2] Average annual workload growth—1956–74, 4.3 percent.
[3] 35–50 percent bypass instituted by Customs, meaning 35–50 percent of entries are not reviewed by Import Specialists but are processed by clerical personnel.
[4] Average annual workload growth—1974–85, 7.2 percent.

Notes.—1. Subcommittee on Trade, Committee on Ways & Means, Background Materials on H.R. 9220, July 14, 1976, p. 39, gives Import Specialist workload in fiscal year 1974 and average annual growth of workload, 1956–74.
Workload is measured in number of entries per Import Specialist.
2. Assuming 4.3 percent productivity growth per annum since 1974, the number of entries each Import Specialist would be capable of handling in 1985 would be 2,650 + (2650x.043x11) = 3903. Dividing this into 5,989,000 entries yields 1,535 as the required number of Import Specialists.

TABLE 4.—CUSTOMS INSPECTORS—COMPUTATION OF NUMBER REQUIRED FOR INSPECTION OF CONTAINERIZED SHIPMENTS AT 3 DIFFERENT ENFORCEMENT LEVELS, FISCAL YEAR 1985

Enforcement level	Inspection rate (percent)	Number of arriving containers	Number of inspections	Average number of inspections per inspector [1]	Number of inspectors required	Add-on to fiscal year 1984 level [2]	Cost (millions)
I	3.2	[3] 3,000,000	96,000	22.0	4,364	+75	$3.2
II	3.3	[3] 3,000,000	99,000	22.0	4,500	+211	8.9
III	3.5	[3] 3,000,000	105,000	22.0	4,772	+483	20.4

TABLE 4.—CUSTOMS INSPECTORS—COMPUTATION OF NUMBER REQUIRED FOR INSPECTION OF CONTAINERIZED SHIPMENTS AT 3 DIFFERENT ENFORCEMENT LEVELS, FISCAL YEAR 1985—Continued

Enforcement level	Inspection rate (percent)	Number of arriving containers	Number of inspections	Average number of inspections per inspector [1]	Number of inspectors required	Add-on to fiscal year 1984 level [2]	Cost (millions)
Fiscal year 1980 level	2.9	2,800,000	81,234	19.5	[4] 4,165		

[1] Average of 19.5 inspections per inspector in fiscal year 1980 increased by 2.5 percent per annum for productivity growth.
[2] Number of inspector positions in fiscal year 1984 is 4,289.
[3] Estimate.
[4] Actual.

TABLE 5.—CUSTOMS IMPORT SPECIALISTS—COMPUTATION OF NUMBER REQUIRED FOR PROCESSING OF MERCHANDISE ENTRIES AT 3 DIFFERENT ENFORCEMENT (BY-PASS) LEVELS, FISCAL YEAR 1985

Enforcement level	By-pass (percent)	In thousands		Entries per import specialist [1]	Number of import specialists required	Add-on to fiscal year 1984 level [2]	Cost (millions)
		Number of entries fiscal year 1985	Number of entries to be processed by import specialists				
I	35	5,989	3,892	3,423	1,137	+95	$5.3
II	25	5,989	4,492	3,423	1,312	+270	14.3
III	20	5,989	4,791	3,423	1,400	+358	19.0

[1] Average level of productivity in fiscal year 1985 assumed by the Administration's budget request. If productivity falls short of this figure, required number of Import Specialists will be larger.
[2] Number of Import Specialist positions in fiscal year 1984 is 1,042.

TABLE 6.—CUSTOMS SPECIAL AGENTS—COMPUTATION OF NUMBER REQUIRED FOR ENHANCED COMMERCIAL FRAUD ENFORCEMENT AT 3 DIFFERENT ENFORCEMENT LEVELS, FISCAL YEAR 1985

Fiscal year	Number of new investigations initiated	Number of investigations completed	Investigations backlog at year end	Average number of new investigations per special agent [1]	Number of special agents required	Add-on to fiscal year 1984 level [2]	Cost (millions)
1983		7,500	3,700				
1984	8,800	8,500	4,000	9.4			
1985	9,500	9,500	4,000	10.2			
Enforcement level:							
I	10,000	11,000	3,000	10.2	1,078	+146	$8.5
II	11,500	11,500	3,000	10.2	1,127	+195	11.3
III	12,000	12,000	3,000	10.2	1,176	+244	14.1
Plus 100 SA's	10,500	10,500	3,000	10.2	1,032	+100	5.8

[1] The number of new investigations initiated divided by the number of Special Agents (932 for fiscal year 1984 and fiscal year 1985).
[2] Number of Special Agent positions in fiscal year 1984 is 932.

TABLE 7.—CUSTOMS INSPECTOR, IMPORT SPECIALIST, AND SPECIAL AGENT REQUIREMENTS FOR ENHANCED COMMERCIAL FRAUD ENFORCEMENT AT 3 LEVELS OF EFFORT, FISCAL YEAR 1985

Enforcement level	Inspectors		Import Specialists		Special Agents		Total	
	Number	Cost	Number	Cost	Number	Cost	Number	Cost
I	75	$3.2	95	$5.3	146	$8.5	316	$17.0
II	211	8.9	270	14.3	195	11.3	676	34.5
III	483	20.4	358	19.0	244	14.1	1,085	53.5

TABLE 7.—CUSTOMS INSPECTOR, IMPORT SPECIALIST, AND SPECIAL AGENT REQUIREMENTS FOR ENHANCED COMMERCIAL FRAUD ENFORCEMENT AT 3 LEVELS OF EFFORT, FISCAL YEAR 1985—Continued

Enforcement level	Inspectors		Import Specialist		Special Agents		Total	
	Number	Cost	Number	Cost	Number	Cost	Number	Cost
Recommendation for $28.0 million total cost:								
Inspectors	400	$16.9						
Import specialists	100	5.3						
Special agents	100	5.8						
Total	600	28.0						

Note.—Number refers to average positions; cost is in millions.

TABLE 8

	Air	Land	Sea	Preclearance	Total
WORKYEARS NOW					
INS primary	368	468	74	63	973
Customs primary	463	638	47	124	1,272
Total	831	1,106	121	187	2,245
INS secondary	154	330	30	30	544
Customs seconday	186	426	12	67	691
Total	340	756	42	97	1,235
Grand total	1,171	1,862	163	284	3,480
WORKYEARS AFTER					
INS primary		1,106		63	1,169
Customs primary	831		121	124	1,076
INS secondary	154	330	30	30	544
Customs seconday	186	426	12	67	691
Total	1,171	1,862	163	284	3,480

FTE'S ADDED OR (LOST)

	Air	Land	Sea	Preclearance	Change	Current FTE's	Grand total
INS primary	(368)	+638	(74)		+196	973	1,169
Customs primary	+368	(638)	+78		(196)	1,272	1,076
INS secondary						544	544
Customs secondary						691	691
Total					0	3,480	3,480

Note.—INS increases from 1,517 FET's to 1,713. Customs decreases from 1,963 to 1,967.

Chairman GIBBONS. Thank you, Mr. Tobias. We take your remarks very seriously. I am well aware of the fact that in about 12 to 14 years, the number of exports and imports in this country by dollar volume have increased by about tenfold. I am constantly amazed by the claims that you can do better work and concentrate on the drug field with fewer and fewer people. It just doesn't really add up.

What do you think is going to happen? I know that down on the Mexican border, they are consolidating a number of Customs and Immigration procedures. Is this the wave of the future?

Mr. TOBIAS. Mr. Chairman, we think that the consolidation should take place with the U.S. Customs Service serving as the primary agency at both the land and border and both airports and seaports. Customs Service has an exemplary record at enforcing Customs laws. We think it would not make sense to make the Immigration and Naturalization Service as the primary group to enforce the Customs laws. There is an internal administration study which says that if the Customs Service were the primary agency we would be saving $37 million. Yet as we understand it, some deal was cut between a couple of people who were carving up turf in the Justice Department and Department of Treasury. And what resulted is in the proposed consolidation which the Congress has delayed for 90 days.

Certainly the internal staff studies show that the U.S. Customs Service should be the primary enforcer of Customs laws wherever those laws need to be enforced, not the Immigration and Naturalization Service.

Chairman GIBBONS. It just happens that the Immigration and Naturalization Office is right across the hall from my district office, and the Customs Office is right to the left of my door of entry. So I am caught between both of you there. It is a nice place to be, but it certainly generates a lot of extra traffic through my office. I am either considering moving my office or asking you all to move, because I receive an exorbitant amount of Immigration and Naturalization casework because of the location of the two offices. The close proximity tends to generate a lot of people coming to my office, because I find that Immigration is so terribly, woefully understaffed. It is a disgrace to this Government that that agency is so terribly and woefully understaffed in the Tampa Bay area.

Mr. TOBIAS. For those means we think that adding to those burdens by giving them primary inspection responsibility would be a very serious mistake.

Chairman GIBBONS. Well, I feel so sorry for the people that are caught up in that bureaucratic mess that I don't turn down people coming into my office. That generates more and more activity. I feel I am staffing about half of the Immigration Office out of my congressional budget here for my own staff. But they are people who need services. But it is a serious matter, and I know that we need to make all the moves to save money and to consolidate services that are imaginable in order to cut down some of the deficit. But I, like you, am a little skeptical of Customs saying that the dropoff in revenue is all because of changes in the tariff laws.

I look forward to their analysis and I am sure you look forward to it, too. I want to say I am very skeptical of it.

Mr. TOBIAS. The draft budget that we have shows that they are interested in reducing by 497 the number of inspectors in 1980—for the fiscal year 1985 budget, 280 import specialists and tactical interdiction by 177 positions. I certainly can't understand how increased use of computers is going to increase the amount of sei-

zures that the customs inspectors are involved in by reducing them by 500 slots.

Chairman GIBBONS. No; unfortunately it just takes somebody out there rooting through the cargo, rooting through the ships, the planes, the cars, to deter. It is a tough function. You can't do that with the computer. The computer will help you shuffle papers, but that is about all.

Mr. TOBIAS. We had a tragedy in the customs service just last week, where an understaffed location at Del Rio, Tex., resulted in a customs inspector being kidnapped and ultimately assassinated. And it was clearly a situation where if we had had the proper amount of manpower at the location, Mr. Latham would not be dead today.

Chairman GIBBONS. Well, I regret to hear that.

Mr. Pease.

Mr. PEASE. No questions.

Chairman GIBBONS. Mr. Frenzel?

Mr. FRENZEL. Mr. Chairman, I don't have any questions, and I am going to have to read the gentleman's testimony, because I was momentarily out of the room.

I do want to thank the employees for providing testimony. I think it is helpful to us. I know you have an important stake in the operation. I thank you for taking time to come in and present it directly.

Mr. TOBIAS. Thank you, Congressman.

Chairman GIBBONS. Thank you.

I am going to consolidate the next two witnesses at the table at the same time, Airport Operators Council International and Air Transport Association of America.

Mr. Corbett, Mr. Landry, go right ahead.

STATEMENT OF J. J. CORBETT, VICE PRESIDENT, FEDERAL AFFAIRS, AIRPORT OPERATORS COUNCIL INTERNATIONAL

Mr. CORBETT. Thank you, Mr. Chairman. We were going to suggest the consolidation if you had not, because we are both in favor of consolidation.

I am Jack Corbett, from the Airport Operators Council. With me is Mr. Landry, from the Air Transport Association of America, representing the scheduled airlines.

If I may, in view of the hour, I would offer our prepared testimony.

Chairman GIBBONS. Yes sir, both of your statements will be placed in the record in their entirety.

Mr. CORBETT. If I may briefly summarize it, the Airport Operators Council represents the U.S. airports that enplane virtually all scheduled international passengers. We are most concerned about the impression that arriving visitors to the United States receive at our airports and the problems of delay returning citizens have when they come back to the United States.

In our past estimate before the committee we indicated some 14 airports enplaning 64 percent of all international traffic found their Federal inspection services to be inadequate. I am pleased to appear today and say that through the work of the Customs and

Immigration Services the process at a lot of those international airports is substantially better in terms of facilitation than it was when we appeared before.

At the same time the agencies are able to keep the same level of enforcement. So that is not a loss. We are very appreciative of the work in the past year and a half.

Chairman GIBBONS. We applaud everyone responsible for that improvement.

Mr. CORBETT. Beyond the process, Mr. Chairman, where we have noted some improvement, there is still a problem of coordination, friction between some of the inspection agencies as to who is going to be in charge of the various functions at an airport. So we applaud the proposal of the executive branch to consolidate primary inspection at airports, including preclearance airports. We hope this committee will give its support to that proposal when it is presented. That is a continuing problem that only a consolidation, in our view, will successfully solve.

Finally, Mr. Chairman, as much as we hope the border management consolidation will result ultimately in a savings of customs manpower, we don't see that occurring in this year, so as to justify the reduction of 415 inspection employees, as testimony before Mr. Pease brought out this morning. So we would urge, until the Department can document the savings from the consolidation, that the committee continue to keep the current level of manpower at our U.S. international airports, because with increasing passengers each year, either the delay gets longer or the inspection gets less good. So we appreciate your past efforts in that regard and thank you, Mr. Chairman.

Chairman GIBBONS. Fine.

[The prepared statement follows:]

STATEMENT OF J. J. CORBETT, VICE PRESIDENT, FEDERAL AFFAIRS, AIRPORT OPERATORS COUNCIL INTERNATIONAL

Mr. Chairman, I am J. J. Corbett, Vice President—Federal Affairs of the Airport Operators Council International (AOCI). The Airport Operators Council International is the association of the primarily local governments that own and operate the principal airports served by the scheduled airlines in the United States and around the world. Our member airports annually enplane more than 90 percent of the total domestic and virtually all of the U.S. international scheduled airline passenger and cargo traffic. Worldwide, our international member airports enplane two-thirds of all airline passengers on six continents (Attachment).

On behalf of our U.S. members, and more particularly the largest 25 U.S. international airports which this year will receive more than 30 million arriving international passengers, we are grateful for this opportunity to comment on the fiscal year 1985 funding authorization for the U.S. Customs Service.

AIRPORTS AND FACILITATION

At the beginning it might be helpful to more fully describe the role of the airport operator and its community in the U.S. international facilitation program. For foreign visitors travelling by air, the airport and its reception and Federal Inspection Services (FIS) create their first impressions of the United States and, more particularly, of the city of arrival. How these visitors are treated in the inspection process is thus highly important to the community operating that airport.

Returning U.S. nationals and residents often view the Federal inspection and clearance process somewhat differently, as a necessary but burdensome process seemingly designed to test their patience after a long, wearying international journey. For all these arriving international air travellers, the airport operator and its community wants to assure a good impression, a warm welcome or a welcome home.

More specifically, while the airport operator has to provide the space and facilities in which the Federal Inspection Service undertake their screening of arriving passengers and baggage, it can neither directly influence the procedure used by the Federal agencies nor assure that adequate manpower will be available to avoid processing delay. Those are Federal Governmental decisions but we have had some suggestions for improvement that the FIS agencies are now responding to.

We have long urged that the Federal Inspection Services (Customs, Immigration and Agriculture) should, in close cooperation with U.S. international airlines and the operators of our nation's international airports, adopt all practicable measures to facilitate international air travel and to prevent unnecessary delays to aircraft, crews, passengers, baggage and cargo.

While Federal inspection and clearance procedures must emphasize the protection of the public from smuggling activities, particularly of narcotics, and from contraband agricultural products, communicable diseases and the illegal entry of aliens, we believe that these objectives are consistent with a vastly improved international aviation facilitation program.

INSPECTION SERVICES AT U.S. INTERNATIONAL AIRPORTS RECENTLY IMPROVED

In AOCI's testimony before these authorization hearings in 1982, we documented the serious delays that were occuring systemwide in processing arriving international air passengers through FIS inspections at our U.S. international airports. We reported that fourteen (primarily largest) airports deplaning some 64 percent of all international air passengers judged their FIS services as Inadequate. Unmanned Customs inspection booths and two-hour passenger processing delays were too often cited. Contributing factors to passenger congestion are airline peaking of flights to serve passenger preferences and inadequate facilities in airport arrival halls to handle all the passengers aboard the jumbo jets that often arrive simultaneously. At that same time, we testified that an additional eleven international (primarily smaller) airports handling 14 percent of air arrivals then judged their FIS services to be Adequate.

Since that report, Mr. Chairman, both the Customs Service and the Immigration and Naturalization Service have modified the passenger inspection process at many of those airports earlier classified Inadequate. These agencies have been able, through innovation, to move more passengers through inspection with less delay and without diluting the Government's enforcement function. Customs has implemented a "red/green door" dual channel exit process at JFK-New York (five terminals), Miami, Houston Intercontinental, Chicago O'Hare, San Juan, Newark, Philadelphia and Tampa International Airports, and plans are going ahead for its implementation at other locations as well.

We hope that the Subcommittee in its report on the Customs fiscal year 1985 authorization could both note our local governmental members' satisfaction with the improvements undertaken in passenger processing at major U.S. airports over the last eighteen months and simultaneously urge Customs to extend one-stop inspection configurations to as many other airports as possible during this coming fiscal year.

CONSOLIDATION OF PRIMARY INSPECTIONS AT AIRPORTS IN CUSTOMS SERVICE

Although there have been site-specific improvements in the FIS inspection process (as well as expensive airport facility expansions) at most of those locations listed above, the more serious problem chronically has been the lack of coordination (and cooperation) among the three on-airport FIS agencies. As we have testified in the past, airport directors maintain that trying to get the three FIS agencies agree upon (a) site-specific configurations for inspecting passengers; (b) space requirements for inspectors and inspection within the airport terminal; and (c) interagency coordination of inspector manpower shifts makes multilateral negotiations at the United Nations look easy. Thus we have urged and welcomed the recent decision of President Reagan and his Cabinet Council on Management and Administration to reallocate FIS functions, in consultation with the Congress, so as to avoid duplication of functions and processing delays.

As you know, the Executive Branch decided to approve single agency management of the primary Federal inspection process at all ports of entry. Customs will be responsible for all international airports (U.S. and preclearance sites) and seaports, and INS will be responsible for land border ports and land patrols. Airport officials are most pleased that, when this plan is implemented, they will finally have a single Federal agency held accountable for the passenger inspection process and a clear lead agency for all on-airport inspection functions. We hope that this

Subcommittee will continue its support for improved passenger inspection processing and for the improved coordination among the FIS agencies that this consolidation plan promises.

FISCAL YEAR 1985 BUDGET ANTICIPATES LOSS OF 400+ CUSTOMS INSPECTOR POSITIONS

While we hope that the so-called Border Management Consolidation Program will ultimately result in savings to the Federal Government (as well as additional savings in facility costs to local airport sponsors), AOCI members are fearful that the Administration's fiscal year 1985 Budget proposes a cutback in needed Customs airport inspection manpower that cannot be justified by the mathematics of the consolidation initiative. It is our understanding that some 415 existing Customs positions for passenger and cargo inspection and control would be eliminated under the fiscal year 1985 Budget, with many of those positions seemingly lost from the international airport inspection function.

We are grateful to this Subcommittee for its efforts in past years to stabilize Customs manpower until reductions could be justified by efficiencies. We are hopeful that the Border Management Consolidation Program ultimately will allow more international passengers to be processed with fewer than today's totals of Customs inspection manpower. However, until those results are apparent, we are concerned that forecasted increases in international arriving passengers during 1985 justify at least the same airport inspection manpower levels as exist today or average delays will necessarily increase. Thus we would urge your continuing current Customs manpower levels in the fiscal year 1985 authorization.

Thank you.

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AIRPORT OPERATORS COUNCIL INTERNATIONAL ROSTER OF MEMBERS

The Airport Operators Council International (AOCI) is the association of the primarily local governments that own and operate the principal airports served by the scheduled airlines in the United States and around the world. AOCI member airports annually enplane more than 90% of the total domestic and virtually all of the U.S. international scheduled airline passenger and cargo traffic. Worldwide, AOCI international member airports enplane two-thirds of all airline passengers on six continents. AOCI represents only its United States membership in testimony before Congress and in appearances before Executive Branch agencies.

UNITED STATES MEMBERS

ALABAMA:	Birmingham - Department of Aviation
ALASKA:	*Alaska - Department of Transportation & Public Facilities *Juneau - City and Borough of
AMERICAN SAMOA:	*Pago Pago - Government of
ARIZONA:	*Phoenix - Aviation Department *Tuscon - Airport Authority
CALIFORNIA:	Bakersfield - Kern County Department of Airports Burbank - Burbank/Glendale/Pasadena Airport Authority Fresno - City of *Los Angeles - Department of Airports Oakland - Board of Port Commissioners Palm Springs - City of Riverside - City of Sacramento - County of *San Diego - Unified Port District *San Francisco - City and County of San Jose - City of Santa Ana - Orange County Airport Santa Barbara - Municipal Airport Stockton - San Joaquin County
COLORADO:	Colorado Springs - City of Durango-La Plata - County Airport *Denver - City and County of Pueblo - Memorial Airport
CONNECTICUT:	*Windsor Locks - Connecticut Department of Transportation
DISTRICT OF COLUMBIA:	*Washington - Metropolitan Washington Airports
FLORIDA:	Daytona Beach - Regional Airport *Fort Lauderdale - Board of Broward County Commissioners Fort Myers - Lee County Airport Gainesville - Regional Airport *Jacksonville - Port Authority Melbourne - Airport Authority *Miami - Dade County Aviation Department Naples - Municipal Airport *Orlando - Greater Orlando Aviation Authority *Palm Beach - Board of County Commissioners Pensacola - City of *St. Petersburg-Clearwater - International Airport Sarasota-Manatee - Airport Authority *Tampa - Hillsborough County Aviation Authority
GEORGIA:	Albany - Albany-Dougherty County Airport *Atlanta - Department of Aviation Savannah - Airport Commission
GUAM:	*Guam - Government of
HAWAII:	*Honolulu - Department of Transportation

* U.S. International Airport

ILLINOIS:	*Chicago - Department of Aviation Moline - Rock Island County Metropolitan Airport Authority Peoria - Greater Peoria Airport Authority Rockford - Greater Rockford Airport Authority Springfield - Airport Authority
INDIANA:	Fort Wayne - Board of Aviation Commissioners *Indianapolis - Airport Authority South Bend - St. Joseph County Airport Authority
IOWA:	Cedar Rapids Des Moines - Department of Aviation Mason City - Municipal Airport Commission
KANSAS:	Topeka - Metropolitan Airport Authority Wichita - Airport Authority
KENTUCKY:	Lexington - Lexington-Fayette Urban County Airport Board Louisville - Regional Airport Authority of Louisville and Jefferson County Paducah - Airport Corporation
LOUISIANA:	Baton Rouge - Greater Baton Rouge Airport District Lafayette - Airport Commission *New Orleans - Aviation Board Shreveport - Airport Authority
MAINE:	*Bangor - City of
MARIANA ISLANDS:	*Saipan - Bureau of Transportation *Saipan - Mariana Islands Airport Authority
MARYLAND:	*Maryland - State Aviation Administration
MASSACHUSETTS:	*Boston - Massachusetts Port Authority Hyannis - Barnstable Municipal Airport
MICHIGAN:	*Detroit - Board of Wayne County Road Commissioners *Flint - City of Freeland - Tri-City Airport Commission *Grand Rapids - Kent County Aeronautics Board Jackson - County Airport-Reynolds Field Kalamazoo - Municipal Airport *Lansing - Capital Region Airport Authority *Muskegon - County Airport
MINNESOTA:	*Minneapolis-St. Paul - Metropolitan Airports Commission
MISSISSIPPI:	*Gulfport - Gulfport-Biloxi Regional Airport Authority Jackson - Municipal Airport Authority Laurel/Hattiesburg - Pine Belt Regional Airport Authority
MISSOURI:	Columbia - City of *Kansas City - Aviation Department *St. Louis - Airport Authority St. Louis County - Spirit of St. Louis Airport Springfield - Municipal Airport Board
MONTANA:	*Great Falls - International Airport Missoula - County Airport
NEBRASKA:	Lincoln - Airport Authority Norfolk - Karl Stephaan Memorial Airport North Platte - Airport Authority Omaha - Airport Authority
NEVADA:	*Las Vegas - Clark County Department of Aviation *Reno - Airport Authority of Washoe County
NEW HAMPSHIRE:	Manchester - Airport Authority
NEW JERSEY:	Trenton - Mercer County Airport Atlantic City - Airport Utility
NEW MEXICO:	*Albuquerque - City of

NEW YORK:	Binghamton - Broome County Airport •Buffalo - Niagara Frontier Transportation Authority •New York - Metropolitan Airports Authority •New York - Port Authority of New York and New Jersey •Syracuse - Department of Aviation White Plains - Westchester County Airport
NORTH CAROLINA:	Asheville - Regional Airport Authority Charlotte - City of Greensboro-High Point - Airport Authority Raleigh - Raleigh-Durham Airport Authority Winston-Salem - Airport Commisssion of Forsyth County
OHIO:	Akron-Canton - Regional Airport •Cincinnati - Kenton County Airport Board •Cleveland - City of •Columbus - Port Columbus International Airport •Dayton - Department of Aviation Toledo-Lucas County - Port Authority Youngstown - City of
OKLAHOMA:	Oklahoma City - Airport Trust Tulsa - Airport Authority
OREGON:	•Portland - Port of
PENNSYLVANIA:	Lehigh-Northampton - Airport Authority •Middletown - Pennsylvania/DOT Bureau of Aviation •Philadelphia - Department of Commerce •Pittsburgh - Greater Pittsburgh International Airport
PUERTO RICO:	•San Juan - Puerto Rico Ports Authority
RHODE ISLAND:	State of Rhode Island - Division of Airports
SOUTH CAROLINA:	•Charleston - County Aviation Authority Columbia - Metropolitan Airport Greenville-Spartanburg - Airport Commission
TENNESSEE:	Chattanooga - Municipal Airport Knoxville - Metropolitan Airport Authority •Memphis-Shelby County - Airport Authority Nashville - Metropolitan Airport Authority
TEXAS:	Austin - City of •Brownsville - City of •Dallas - Department of Aviation •Dallas/Fort Worth - Regional Airport Board •El Paso - City of •Harlingen - Valley International Airport •Houston - City of •San Antonio - Department of Aviation
UTAH:	•Salt Lake City - Airport Authority
VERMONT:	•Burlington - Airport Commission
VIRGINIA:	•Newport News - Peninsula Airport Commission •Norfolk - Port and Industrial Authority Richmond - Capital Region Airport Commission
VIRGIN ISLANDS:	•St. Thomas - Virgin Islands Port Authority
WASHINGTON:	•Seattle - Port of •Seattle - King County Airport (Boeing Field) •Spokane - Airport Board
WISCONSIN:	Janesville - Rock County Airport La Crosse - Municipal Airport Madison - Dane County Regional Airport •Milwaukee County - Department of Public Works Oshkosh - Wittman Field Airport Rhinelander/Oneida - County Airport
WYOMING:	Casper - Natrona County International Airport Cheyenne - Airport Authority Rock Springs - Sweetwater County Airport Authority

AOCI NON-U.S. MEMBERS

AUSTRALIA:	Cairns - Port Authority Canberra - Department of Transport
AUSTRIA:	Vienna - Airport Authority
BERMUDA:	Hamilton - Ministry of Marine and Air Services
BRAZIL:	Brasilia - Empresa Brasileira de Infra-Estructura Aeroportuaria (INFRAERO)
CANADA:	Ottawa, Toronto & Montreal - Transport Canada
CHILE:	Santiago - Civil Aeronautic Ministerial Department
DENMARK:	Copenhagen - Airports Authority
DOMINICAN REPUBLIC:	Santo Domingo - Aeropuerto Internacional de Las Americas
EL SALVADOR:	San Salvador - Comision Ejecutiva Portuaria Autonoma
ENGLAND:	London - (British Airports Authority) Heathrow, Gatwick & Stansted Scotland - Aberdeen, Edinburgh, Glasgow & Prestwick
FRANCE:	Paris - Aeroport de Paris
GERMANY:	Cologne/Bonn - Flughafen Koeln/Bonn GmbH Dusseldorf - Flughafen Dusseldorf GmbH Frankfurt/Main - Flughafen Frankfurt/Main Aktiengesellschaft Hamburg - Flughafen Hamburg GmbH Hannover - Flughafen Hannover Langenhagen GmbH Munich - Flughafen Munchen GmbH
HAITI:	Port-Au-Prince - Aeroport International Francois Duvalier
HONG KONG:	Hong Kong - Civil Aviation Department
IRAQ:	Baghdad - State Organization of Roads and Bridges
IRELAND:	Dublin - Aer Rianta/Irish Airports Authority
JAMAICA:	Kingston - Airport Authority of Jamaica
ISRAEL:	Tel Aviv - Israel Airports Authority
ITALY:	Milan - Societa p. Az. Esercizi Aeroportuali (SEA) Rome - Aeroporti di Roma S.p.A
JAPAN:	Osaka - Kansai (Osaka) International Airport Terminal Building Co. Ltd. Tokyo - Japan Airport Terminal Company, Ltd.
KOREA:	Seoul - Korea International Airports Authority
MEXICO:	Mexico City - Aeropuertos y Servicios Auxiliares (ASA) Mexico City - Direccion General de Aeropuertos (DGA)
NETHERLANDS:	Amsterdam - Schiphol Airport Authority
NETHERLANDS ANTILLES:	Sint Maarten - Juliana International Airport
NEW CALEDONIA:	Noumea - Chambre de Commerce et d'Industrie
NEW ZEALAND:	Wellington - Ministry of Transport
NIGERIA:	Lagos - Nigerian Airports Authority
PHILIPPINES:	Manila - Bureau of Air Transportation
PORTUGAL:	Lisbon - Aeroportos e Navegacao Aerea (ANA)
SAUDI ARABIA:	Jeddah, Riyadh & Eastern Province - International Airports Projects
SRI LANKA:	Colombo - Airports Authority of Sri Lanka
SWITZERLAND:	Zurich - Civil Aviation Department
TAHITI:	Papeete - Societe D'Equipement de Tahiti et des Iles
TAIWAN:	Taipei - Civil Aeronautics Administration
THAILAND:	Bangkok - Airports Authority of Thailand
VENEZUELA:	Caracas - Instituto Autonomo Aeropuerto Internacional de Maiquetia

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Chairman GIBBONS. Mr. Landry, would you like to make your statement now?

STATEMENT OF JAMES E. LANDRY, SENIOR VICE PRESIDENT AND GENERAL COUNSEL, AIR TRANSPORT ASSOCIATION OF AMERICA, ACCOMPANIED BY JAMES R. GORSON, DIRECTOR OF FACILITATION

Mr. LANDRY. Thank you, Mr. Chairman. Our prepared statement focuses on four areas of concern.

Chairman GIBBONS. We will put your statement in in full.

Mr. LANDRY. First we want to thank the chairman and the Subcommittee on Trade for their leadership in connection with the recent decision to consolidate the inspection agency primary responsibilities at all the U.S. gateway airports and the nine preclearance airports in Canada, Bermuda, and the Bahamas. Now that the Customs Service has been designated as the agency to assume primary inspection responsibility at these airports, we urge that a one-stop passenger inspection program proceed at once in an orderly fashion. And at each and every airport terminal where one-stop inspection is authorized to go forward, we believe the red door/green door dual channel passenger exiting processing procedure should be simultaneously instituted. That procedure or a modified form of it has now proven itself in a number of our major gateway airports.

In the concluding paragraph of our prepared statement, we urge the committee to provide authorization for adequate Customs inspector personnel at preclearance and U.S. gateway airports; to authorize funds to cover Customs full participation in a computerized international air cargo program at the Miami and Kennedy airports; to direct Customs to withdraw its opposition to a cost-free testing of a "downstream" duty-free arrangement at a preclearance airport in Canada; and direct Customs to proceed—as the agency with primary responsibilities—with a consolidated one-stop inspection procedure at selected airports; namely, at Miami, Tampa, New Orleans, and the eastern satellite terminal at the Kennedy International Airport.

Thank you, Mr. Chairman.

[The prepared statement follows:]

STATEMENT OF JAMES E. LANDRY, SENIOR VICE PRESIDENT AND GENERAL COUNSEL, AIR TRANSPORT ASSOCIATION OF AMERICA

My name is James E. Landry. I am Senior Vice President and General Counsel for the Air Transport Association of America, which represents most of the scheduled airlines of the United States. Seventeen of our member airlines provide regularly scheduled air service between the United States and more than 70 countries.

I am accompanied by James R. Gorson, Director—Facilitation, who coordinates airline industry efforts in the facilitation of international air travel and trade, and who works directly with the federal inspection agencies and other appropriate departments of the U.S. government in this regard.

We appreciate the opportunity to appear before the Subcommittee to discuss the fiscal year 1985 budget authorization for the U.S. Customs Service. Our statement will be brief; focusing on four areas of concern.

First and foremost, we wish to thank the Chairman and the Subcommittee on Trade for their leadership in connection with the recent decision to consolidate inspection agency primary responsibilities at all U.S. gateway airports and at the nine preclearance airports in Canada, Bermuda and the Bahamas. Now that the Customs Service has been designated as the agency to assume the primary inspection respon-

sibility at these airports, we urge that a one-stop passenger inspection program proceed at once in an orderly fashion.

Specifically, we ask the support of the Committee to effect a Customs consolidated one-stop inspection at New Orleans prior to the May 12 commencement of the Louisiana World Exhibition. Also, Miami International Airport should be given an immediate opportunity to provide a one-stop inspection procedure at this second busiest international U.S. air passenger terminal. And, since the Tampa airport terminal inspection facility readily lends itself to a one-stop configuration, the procedure should be allowed to start there now, with Customs assuming primary inspection responsibilities. Finally, in order to cope with the international passenger traffic saturation at New York's Kennedy international arrival building, Eastern Airlines should be permitted to construct a one-stop Customs inspection facility at that airline's satellite terminal. The proposed multi-million dollar Customs facility will be built at no cost to the government; and in accordance with the exact specifications and dictates of the Customs Service. We have attached to our statement a list of other airports where a one-stop inspection procedure could be implemented, and where Customs should be permitted to provide the primary inspection responsibilities.

At each and every airport terminal where one-stop inspection is authorized to go forward, the red/green door dual channel passenger exiting processing procedure should be simultaneously instituted. The red/green door procedure, or a modified form of it, has now proven itself at Boston, Chicago (O'Hare), Houston, Miami, Newark, San Juan, Tampa, and at four satellite terminals and the international arrivals building at Kennedy Airport. In the next few weeks it will also be introduced at Philadelphia's International Airport. The red/green door procedure facilitates Customs passenger processing while strengthening Customs enforcement capabilities.

Improved efficiences in Customs cargo processing must also continue. In this regard we are pleased to note that plans are underway by the port authorities at Kennedy and Miami airports to computerize the processing of international air cargo. While the Customs Service is participating in these programs, that agency has not allocated funds to support it even though Customs will be a major beneficiary. We urge this Committee to authorize sufficient funding commensurate to the share of benefits which Customs will derive. At overseas airports, such as London and Tokyo, Customs have allocated funds for the introduction and support of computerized international air cargo processing there and the same in all fairness should be done in this country.

An issue of concern to U.S.-Canada transborder airlines and to our friends in the Canadian Government is the reluctance of the U.S. Customs Service to allow a test of a concept, called "down-stream" duty-free, whereby a duty-free sales facility occupies an area beyond the Customs baggage inspection counters. The Government of Canada has gone to great lengths to design a plan in this regard which complies with all of the enforcement requirements of U.S. Customs. The test will be conducted at no cost to U.S. Customs and can be tried at a preclearance location in Canada chosen by U.S. Customs. Since revenues derived from the sales of duty-free stores help to pay for inspection facilities at airports, we urge this Committee to request Customs to allow such a test, at the end of which U.S. Customs would make the final determination as to the feasibility of the "down-stream" duty-free arrangement.

Although we are concerned by the $49.3 million fiscal year 1985 cut in the Customs inspection and control program, we were pleased to read in the President's fiscal year 1985 budget message of the need to streamline Federal Government management systems and to otherwise improve the efficiency of the Government. The consolidation of inspection agency functions urged by this Committee over the years and now formally proposed by the Administration—by assigning primary inspection responsibilities at all U.S. gateway and preclearance airports to Customs—will greatly streamline and improve the passenger inspection processing system at our airports and will do so at reduced costs to the Government.

In conclusion we urge the Committee to provide authorization for adequate Customs inspector personnel at preclearance and U.S. gateway airports; to authorize funds to cover Customs full participation in a computerized international air cargo program at the Miami and Kennedy airports; to direct Customs to withdraw its opposition to a cost-free testing of a "down-stream" duty-free arrangement at a preclearance airport in Canada; and direct Customs to proceed—as the agency with primary responsibilities—with a consolidated one-stop inspection procedure at selected airports, namely, at Miami, Tampa, New Oreleans and the Eastern satellite terminal at the Kennedy International airport.

APR 1 1982
DIRECTOR OF FACILITATION
AIR TRANSPORT ASSOCIATION
OF AMERICA

THE COMMISSIONER OF CUSTOMS

WASHINGTON, D.C.

MAN-10-01-B:IN:P HWC

MAR 25 1982

Dear Mr. Corbett:

We have completed our study of 17 airports, and are now able to provide you with the information discussed at the February 2, meeting with FIS representatives and contained in your follow-up letter of March 2, 1982, to Mr. Schaffer of my staff. Enclosed is a listing of the short and long-term recommendations of the Customs Service and the Immigration and Naturalization Service. Of the 24 terminals studied, we agree on the configuration at 18 terminals and are undecided as to the appropriate configuations at 6 locations. Of the 18 terminals we agree upon, 5 terminals, in addition to Los Angeles and Miami, can accommodate ASIST or a modification of it, 5 are recommended to remain or be completed as One-Stop terminals, and 6 are recommended to remain as is. For the 6 terminals for which there is no concensus, the concern centers around whether or not there is sufficient queuing space in the INS area to accommodate an ASIST operation or on our reluctance to introduce ASIST at locations that would require two-level operations. Two-level ASIST operations increase our supervisory costs and reduce our staffing flexibility. We will be meeting with the Immigration Service on April 2, in an effort to resolve these differences. In addition, because of the extremely serious nature of the narcotics problem in Florida, we are considering whether the ASIST approach should be maintained in Miami.

As of this moment, we would have no objection to the airport operators implementing ASIST or a variation (Large Airport Option 2) at JFK (British terminal only), Dallas (American and Braniff terminals), Tampa, and Dulles. If ASIST is implemented at these sites, approximately 24 percent of all arriving passengers would be processed through an ASIST-type operation for the summer of 1982. For the long-term, we have identified additional locations where we would like to introduce Large Airport Option 2, and are prepared to discuss these locations with you.

We are also planning to conduct tests of passenger self-selection approaches at Chicago and Houston this summer. At Chicago, we hope to utilize signage and red and green lights at the Customs primary positions to reduce the time required to process arriving passengers. At Houston, we will conduct a test of a variation of ASIST that will depend on signage in the baggage delivery area to reduce Customs questioning at primary. Again, introducing a variation of the red/green system. However, TECS queries, APHIS, INS and some Customs screening will be done at primary.

Also enclosed is a Customs staffing chart for 17 airports. In reviewing this chart you should be aware that some of the staffing figures are airport or port totals, because at some of the smaller airports there is no cadre of

inspectors exclusively dedicated to passenger processing. They must divide their time between cargo and passenger processing. In addition, the number identified must cover a 7 day week and a variety of shifts.

Additional TECS terminals to cover ASIST expansion, other airport expansions, and replacements are not available. Customs has compiled a comprehensive list of TECS terminal requirements and is preparing a justification for their acquisition through a supplemental budget allocation. Approval of a supplemental and the subsequent acquisition of the terminals may take as long as 12 months. For the interim, we will attempt to make adjustments with our current supply. In some locations, we may be able to reposition some terminals or modify some to function as primary terminals.

Peak hour scheduling is a problem at almost every terminal. Past efforts to convince airlines to modify their arrival schedules, to mitigate this problem, have met with no significant success. However, we would be more than willing to have Customs represented at any meeting that has the potential of resolving this problem.

I hope the enclosed information assists your organization in determining the actions it must take to make international travel less burdensome on passengers.

Yours faithfully,

Mr. J. J. Corbett
Vice President
Federal Affairs
Airport Operators Council
International
1700 K. Street, NW.
Washington, D.C. 20006

Enclosures

FEDERAL INSPECTION SERVICES
FACILITY RECOMMENDATIONS

	CURRENT FORMAT	RECOMMENDATION
JFK-IAB	CAPIS	CAPIS
JFK-AA	CAPIS	CAPIS
JFK-PA	CAPIS	CAPIS
JFK-BA	CAPIS	LAO-2 1/
MIAMI	ASIST	LAO-2
LAX-SAT. 2	ASIST	LAO-2
LAX-Interim	1-STOP	1-STOP
SAN FRANCISCO	CAPIS	CAPIS
CHICAGO	CAPIS	CAPIS
HOUSTON	1-STOP	1-STOP
DALLAS-BN	CAPIS	LAO-2
DALLAS-AA	CAPIS	CAPIS
ATLANTA	1-STOP	1-STOP
MINNEAPOLIS	1-STOP	1-STOP
TAMPA	CAPIS	CAPIS
NEWARK	CAPIS	CAPIS
ANCHORAGE	CAPIS	1-STOP
DULLES	CAPIS	LAO-2

1/ LAO-2: Large Airport Option 2 - A variation of ASIST.

THE FOLLOWING ARE STILL PENDING A RESOLUTION:

JFK-TWA
LAX-SAT. 5
HONOLULU
BOSTON
SEATTLE
NEW ORLEANS

PROPOSED U.S. CUSTOMS STAFFING FOR SUMMER 1982

LOCATION	PERMANENT	PART-TIME	SUMMER SEASONALS
JFK*	162	15	100
IAB	77	-	--
TWA	22	-	--
AMERICAN	16	-	--
PAN AMERICAN	34	-	--
BRITISH	13	-	--
MIAMI*	65	23	--
LOS ANGELES*	52	25	--
SAT. 2 1/	25	-	--
SAT. 5	10	-	--
BUBBLE	17	-	--
HONOLULU*	42	-	--
BOSTON*	18	-	18
SAN FRANCISCO*	16	-	--
CHICAGO* 2/	22	1	19
HOUSTON* 3/	10	2	--
SEATTLE*	14	-	--
DALLAS**	32	2	--
ATLANTA**	17	-	--
NEW ORLEANS**	10	-	--
MINNEAPOLIS**	8	-	15
TAMPA**	5	-	--
NEWARK**	14	-	--
ANCHORAGE**	18	-	--
DULLES**	22	10	--

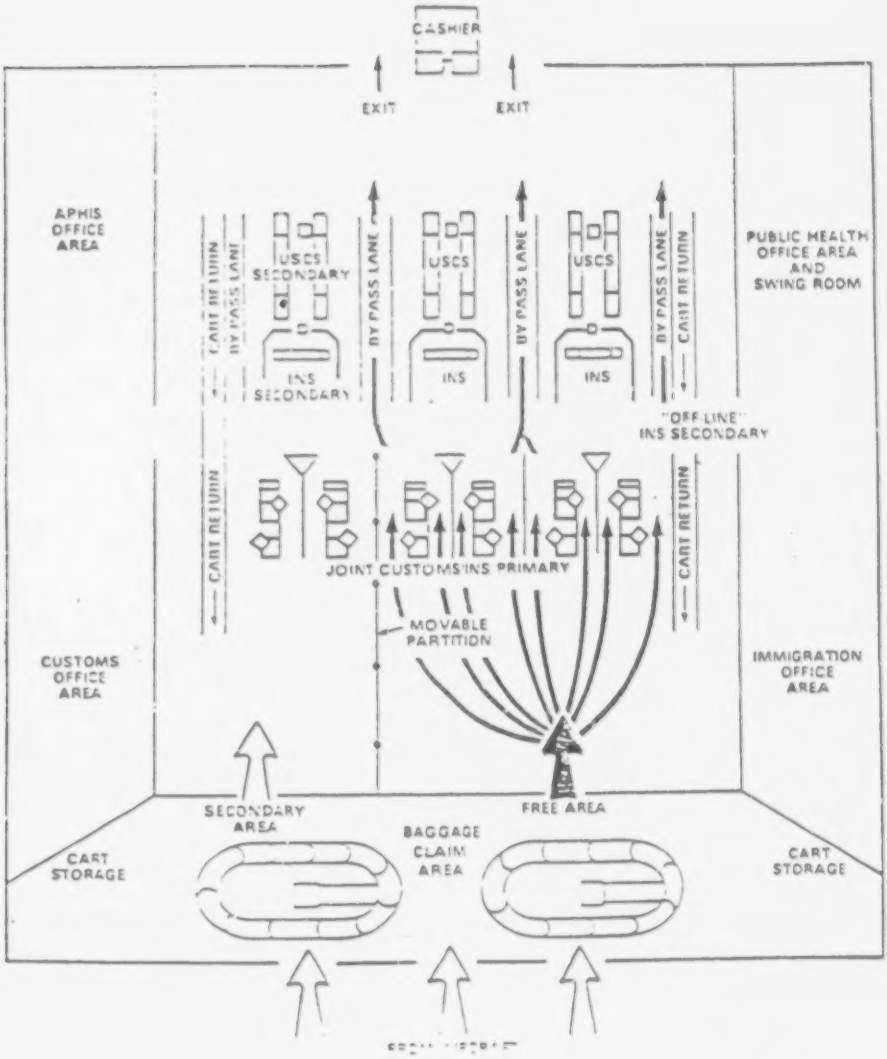
*Passenger Processing Staff
**Airport (Cargo/Passenger) or Port Staff
1/Expanding primaries from 18 to 30
2/Red light/Green Light test proposed for existing facility
3/Red/Green approach to be tested.

Proposed Systems: Large Airport Option 1
Large Airport Option 2

Large Airport Option - 1

- Primary with all luggage
- Voluntary referral to secondary possible freeing up primaries
- Variable number of primaries according to conditions
- Effective enforcement for high-risk flights

LARGE AIRPORT OPTION 1

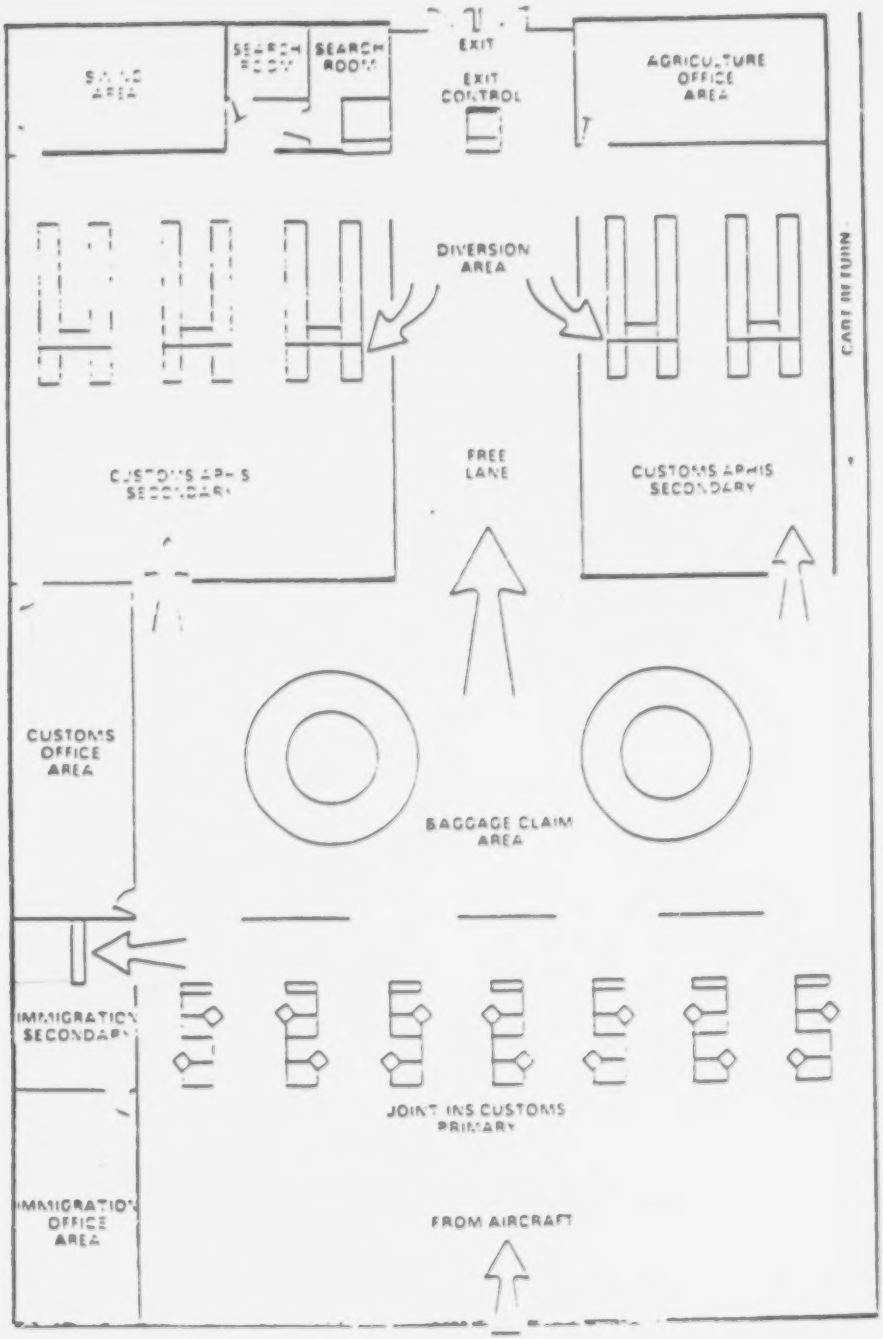


Large Airport Option - 2

- Primary prior to bag claim
- Variable response according to risk, i.e. rapid primaries for low-risk,

  secure referral to secondary for high-risk
- Both effective facilitation and enforcement possible as needed

LARGE AIRPORT OPTION 2



Chairman GIBBONS. Well, thank you. I like the preclearance. I think, you know, it works in very well with what the traveling public expects at an airport anyway. And I really think it adds to the safety of the aircraft to threaten, if not actually carry out the inspection of everyone's luggage and all the cargo that goes on the plane. So I think, you know, it is a good procedure to be followed.

I realize it can't be followed all over the world, and I realize it is perhaps a little expensive for Customs to do that. But it is a good time savings device and prevents a lot of misunderstanding. I think preclearance is a good idea.

Mr. LANDRY. Mr. Chairman, I am grateful to hear that and I was also grateful to hear Mr. De Angelus this morning indicate that the Customs Service has concluded the same. I might mention that no precleared aircraft has ever been hijacked.

Chairman GIBBONS. Good. Hooray.

Mr. Frenzel.

Mr. FRENZEL. Mr. Chairman, I want to ask the witnesses a question about a provision in the Mazzoli-Simpson bill which would allow an experiment on visaless travel between people of selected countries, particularly Western Europe. As you know, we can travel to European countries without visas. Is this a good idea?

Mr. LANDRY. It is, certainly, Mr. Frenzel. But I would like Mr. Gorson to address that. He is our director of facilitation.

Mr. GORSON. It is an idea, Mr. Frenzel, that has been overdue for 40 years. We recommended it to the Europeans after the war. They adopted it. We have failed to do the same for them.

Furthermore, it would apply not just to Europeans but perhaps to several other countries, like Japan and Australia, which still require visas for our citizens. If we remove it for them, they have said they will remove it for us. We are only talking about very secure countries, citizens of which do not overstay in this country and there is very little risk involved and requires no more time for an immigration inspector on arrival in inspecting the passenger.

Mr. FRENZEL. Thank you very much.

A couple years ago, Mr. Corbett, this subcommittee visited a few airports and was dismayed, as you were, at the way foreign visitors were treated in the United States. You indicated there was some improvement. What is left to do to continue the improvement, or to make it very convenient and make America a good place in which to travel?

Mr. CORBETT. In the past year and a half, Mr. Frenzel, I believe the leadership of both major inspection agencies has realized that facilitation is an important goal as well as enforcement. At a number of airports, identified both in Mr. Landry's and my testimony, there is a new process being used. It is a modification of red/green to relate risk to enforcement. We think it works relatively well. The inspection agencies are pleased with it. We urge in our testimonies that Customs and Immigration both continue with other airports where this type of process has not been in place, and to put it in place at the earliest possible time.

We also think that based on a GAO study of 1979 or so that one can get adequate enforcement with a one-stop primary, rather than a two stop. So we think that is the way to go consistent with enforcement results.

Mr. FRENZEL. So do I. The dollar is high enough. We don't need to discourage tourists at the border entries.

Thank you, Mr. Chairman.

Thank you, gentlemen.

Chairman GIBBONS. Mr. Pease?

Mr. PEASE. No questions.

Chairman GIBBONS. Thank you.

Our last two witnesses will be Mr. David Macdonald, chairman of the Joint Industry Group, former assistant deputy USTR; and the Industrial Policy Council, Mr. Harold Williams, president.

Mr. PEASE [presiding]. Mr. Macdonald, do you want to proceed? We will put your full statement in the record.

STATEMENT OF DAVID R. MACDONALD, CHAIRMAN, JOINT INDUSTRY GROUP OF THE U.S. CHAMBER OF COMMERCE, ACCOMPANIED BY LEONARD LEHMAN, PARTNER, BARNES, RICHARDSON & COLBURN, FORMERLY ASSISTANT COMMISSIONER OF CUSTOMS; AND DAVID J. ELLIOTT, MANAGER, CUSTOMS ADMINISTRATION, PROCTER & GAMBLE CO., FORMERLY CHAIRMAN OF THE JOINT INDUSTRY GROUP

Mr. MACDONALD. Thank you, Mr. Pease. I will be very brief. I know I am trespassing on my committee's time; we are after 12 o'clock noon.

I will just raise the high points of the testimony. Let me say first of all that I have Len Lehman here, a member of the Joint Industry Group, and also present is Dave Elliott, past chairman of the Joint Industry Group, is here somewhere, to answer questions.

One of the things we raised was a number of issues regarding the Customs Service.

It is not clear under section 592, that is to say, the penalty section, that the ultimate penalty amount sought by the Government in a civil action cannot exceed the formal notice of penalty assessed by the Customs Service. We elaborate on this in the testimony but believe that this point deserves the subcommittee's attention. We were going to raise the point system in Customs enforcement, but that has been adequately raised already by the committee. So we will pass over that.

We understand there were seizures of goods even though the importer was not "insolvent or beyond the jurisdiction of the United States" as required by section 592. We would, as a joint industry group, be willing to conduct a survey and report it back to the committee, if the committee is interested in such a survey.

We have also heard that a special study is being conducted with a view to transferring the functions of the Office of Rulings and Regulations to the regions, or otherwise impairing its independence. We certainly respect the power of Customs to review its own organization with a view to improving it. Nevertheless, our information is that OR&R is thought by some elements of Customs to be too independent or too lenient. We would just like to register our concern.

OR&R has in the past been in our opinion fair in attempting to administer the customs laws as they were written, and impartially, and has reimposed legal standards on certain field agents who zeal-

ously attempt to make the biggest chase they can and assess the highest penalty that can be justified. We are only assuming they are both performing their function, the field agent in being as zealous as he can and OR&R in leveling that zeal.

We would respectfully request and suggest that the 1985 Customs authorization bill preclude changes in the status of the Office of Rulings and Regulations without a 90-day prior notice to and consultation with the authorizing committees of the Congress.

The periodic entry system I think is of critical importance to this committee and the Customs Service. In 1982 Customs processed 4 million entries from 190,000 importers. The number is undoubtedly larger today. Nevertheless, 3 percent of the importers file 62 percent of the entries. Now, in the face of this work crush Customs has responded by trying to automate the existing system. The Joint Industries Group has an alternative program for collecting duties and processing entries which we have been trying to work out with Customs. Customs has given the concept a very small test, using 3M Co. and Volkswagen of America as guinea pigs. It was a small first step, but was successful in our view as far as it went.

The nature of this system is to create on a voluntary basis an account system whereby all entries are processed and collected on a consolidated and periodic basis rather than on the current individual shipment basis. This is not, I think, new to this committee. This has been around since I was Assistant Secretary of the Treasury. Nevertheless, there is a time when any idea reaches its peak and actually becomes mature and ready for final consideration. The system would permit an importer or broker to submit a single-entry summary to cover all entries of merchandise within a Customs district, ultimately without any geographic limitation, during the statutory 10-day period. And ultimately we would hope to move that to be monthly.

Import duties would be paid once a month on a date, probably the 15th of the month. That would not disrupt the present level of revenue flow to Customs. This would dramatically decrease the number of entry documents and checks that importers would have to prepare and Customs would have to process.

Now, this is a system that would streamline the process of importation. But I would hasten to add that it would subject those importers who volunteer for it—and by the way, it is a voluntary system—those importers who elect to use it would be subjected to a higher standard of performance and audit.

We feel some portions of Customs have been somewhat reluctant to embrace this program for fear it would result in a loss of function for some of the Customs personnel, particularly import specialists. We believe the plan, however, will have almost no effect on personnel but would enable Customs to process effectively a much larger workload without a corresponding increase in resources.

Finally, we would like to express the deeply held view of the business community that Mr. Pease's bill, your bill, Mr. Chairman, relating to the protection of confidential information and import manifests be passed. Since it now appears that it may not be passed as a freestanding bill, or as part of the miscellaneous tariff bill, we would urge and suggest this committee again include a

similar provision in the Customs authorization bill to carry it over until the next Congress.

That concludes the testimony.

[The prepared statement follows:]

STATEMENT OF DAVID R. MACDONALD, CHAIRMAN, JOINT INDUSTRY GROUP OF THE U.S. CHAMBER OF COMMERCE

I am David R. Macdonald, Chairman of the Joint Industry Group of the United States Chamber of Commerce. The Joint Industry Group is a coalition of sixty-five trade associations, businesses, and law firms involved in international trade and particularly interested in Customs matters.

We wish to thank you for listening to some of the matters that are of concern to our group. We acknowledge the importance of the authorization process and appreciate the conscientious efforts of this Committee to make it work. We believe that the process is good for Customs Service, the Committee, and for us.

Some matters we would like to address are:

1. Regulations recently issued by the Customs Service for the administration of penalties issued pursuant to Section 592, Tariff Act of 1930, as amended;
2. The use of enforcement "quotas" for evaluating the performance of Customs inspectors;
3. Illegal seizures of imported merchandise;
4. The status of the Office of Regulations and Rulings in Customs Headquarters;
5. Periodic entry processing and duty payment;
6. Consolidation of primary inspection function; and
7. Public disclosure of data in import vessel manifests.

1. REGULATION TO IMPLEMENT SECTION 592

On Friday, January 13, 1984, the Customs Service published its long awaited Final Rules relating to the revision of penalty guidelines under section 592 of the Tariff Act of 1930, as amended, the criteria and requirements applicable to prior disclosure of violations under that section, the limitations on and conditions for submission of supplemental petitions requesting relief from such penalties and corresponding technical changes to the Customs Regulations.

Although the Group had filed comments objecting to the adoption of penalty guidelines (the "Guidelines") as an appendix to Part 171 of the Customs Regulations, they were adopted in that form. We do not show the Customs Service's view that these important Guidelines should not be considered as formal regulations. The Guidelines remain far from perfect; however, certain limited concessions were made. We are troubled, nonetheless, by the addition of a new sentence in the paragraph preceding paragraph (A) of the Guidelines which seems to suggest that both the assessment and mitigation of penalty amount determined in accordance with the Guidelines will not limit the penalty amount which the Government can seek in bringing a civil enforcement action pursuant to 19 U.S.C. § 1592(e). It is clear from the legislative history that, if an importer does not choose to close out a penalty claim based upon a mitigated settlement, the Justice Department can initiate judicial proceedings to collect the amount set forth in the Penalty Notice, even if higher than the mitigated amount. It should be made clear that the penalty amount which the Government may seek in a civil enforcement action cannot exceed that assessed in the formal notice of penalty. The Guidelines suggest otherwise.

In general, concerns expressed by the Group regarding the Customs Service's view that a prior disclosure must be in writing have been met. It remains somewhat incongruous, however, for the prior disclosure rules to be in Part 162, which deals with "Record-keeping, Inspection, Search and Seizure," as contrasted to Part 171 dealing with "Fines, Penalties and Forfeitures." Also, even though a prior disclosure is defined in § 162.74(a) as one made "inwriting to a District Director," the Regulations also specify in § 162.74(b) that a person will be given full benefit of the prior disclosure treatment if he furnishes sufficient information and such information "need not be in writing." In our view, these concepts should be combined in a single section so as to present effective alternatives in dealing with the issue of prior disclosure. Further, we are satisfied that provisions regarding the timing of receipt of a prior disclosure have been revised to accord with the statutory concept.

The Customs Service has mandated in the Final Rules that a person concerned can file no more than a Second Supplemental Petition. Furthermore, that filing is conditioned on payment of the amounts demanded following consideration of the First Supplemental Petition. This offends elements of due process in at least two

respects. First, many petitioners do not seek assistance of outside counsel until after having filed a Petition and then a Supplement. Proper representation will be effectively limited to the sophisticated and large-scale importers. Second, the courts have now held that voluntary tenders of withheld duties may not be recovered through the filing of a Protest under section 514 of the Tariff Act. This will presumably extend also to voluntary tenders of penalty payments. Therefore, if a person concerned elects to file a Second Supplementary Petition, he has abandoned all hope for judicial consideration and review. We strongly urge that this position be modified.

Our final area of concern is traceable to what we believe will become prevailing practice. That has to do with the likelihood that penalty notices will issue routinely making the maximum statutory demands. While some concessions were made in this respect in the final text of the Guidelines, the Customs Service has required the District Director to take into account all controlling factors but has then admonished "in no case shall the assessed penalty exceed the statutory ceilings prescribed in section 592." The focus is clearly toward the statutory ceilings and not on a fair assessment based on all relevant factors.

2. ENFORCEMENT QUOTAS

We have been reliably advised that some Customs Regions have established programs under which failure to initiate a specific number of enforcement actions by a Customs Inspector will result in an unsatisfactory rating in his or her periodic performance appraisals. Customs Inspectors should be recognized and rewarded for high quality enforcement efforts. However, they should not be required to fulfill a given "quota" of enforcement actions as a condition precedent to satisfactory performance appraisals or promotions. Evaluation systems of this nature will encourage inspectors to find violations where none, in fact exist. It will certainly have a detrimental impact on the clearance of passengers and cargo. Each Customs Inspector will be encouraged to view transactions (passenger or cargo) with an eye toward his or her promotion. Such a quota system is repugnant to fair and even-handed law enforcement.

3. ILLEGAL SEIZURES

We understand that the incidence of seizures which are contrary to the provisions of Section 592(c)(5) of the Tariff Act is increasing. Instances of the seizure of goods have occurred even though importation of the goods was not prohibited and the importer was neither insolvent nor beyond the jurisdiction of the United States. Such seizures contradicted the very letter of the Customs Procedural Reform and Simplification Act of 1978 (Public Law 95-410). If you are interested, our group will conduct a survey and furnish the results to the Committee.

4. FOR OFFICE OF REGULATIONS AND RULINGS

Information has been received indicating that a study is being conducted by Special Agents of the U.S. Customs Service Internal Affairs Division at New York which would recommend or implement changes in the Customs Headquarters Office of Regulations & Rulings (ORR), or transfer of its functions to the Office of Regional Counsel.

It is alleged this study was undertaken because of dissatisfaction expressed by field officers of the Customs Service with decisions of ORR in reducing penalties assessed in the field. Recent inquiry has reflected that the study may have been expanded at the direction of the Deputy Commissioner of Customs to include an investigation to determine whether Customs Headquarters has been over-lenient not only on penalties, but on valuation and classification matters as well.

The study and proposal are matters of concern to the international trade community. The Office of Regulations and Rulings was intended by Congress to serve a quasi-judicial role in penalty matters to afford an unbiased review of penalties imposed by field officers and to assure a disposition of penalties in accordance with the law as amended by the Customs Procedural Reform Act of 1978, Public Law 95-410. The international trade community is concerned that the atmosphere of enforcement pervading the Customs service, voiced by the Commissioner in the Camp Hoover Memorandum and other public statements, will impinge upon the independence of ORR to fulfill its proper quasi-judicial role. If investigated for "over-leniency," the resulting pressures of "big brother" looking over the shoulder of ORR attorneys attempting to dispose of penalty, value and classification matters without bias

and in accordance with the law, is likely to make their decisions less objective and less fair.

Further it has been the usual practice of local Customs officials, sanctioned by Headquarters, to resolve doubts in favor of "protecting the revenue" (i.e. higher rate of duty, or higher value). On administrative review, however, Headquarters has, at least in theory, attempted to resolve classification and value questions in accordance with existing law. Any change in policy requiring an aggressive support of the "Customs position" would be contrary to fairness and equity, resulting in greatly worsened public relations with the entire import community, substantially increased litigation, and higher consumer costs for imported products.

Such a policy with respect to penalties assessed in the field would be particularly objectionable. As the record will show, local agents tend to compute penalties on the highest possible basis, ignoring mitigating factors and often greatly overstating the value of the merchandise involved. The absence of a meaningful review would make the local agent the prosecutor, judge and jury.

The ORR staff has already been reduced substantially by size, budget restraints, and resignations. A proposal to disperse these officials from Customs Headquarters to the Regional Counsel's offices would greatly diminish efforts to achieve and maintain uniformity of treatment of duty assessments on imports, required under the Constitution.

There is a proper need of the public to obtain an impartial review of legal problems by the staff of qualified attorneys in ORR at USCS HQ. Regional Counsel are the attorneys for the Regional Commissioner and Chief Counsel in Washington are the attorneys for the Commission of Customs. The function of these offices on behalf of the Service differ materially from the function of ORR to rule impartially on legal questions presented, with respect to imported products.

We respectfully suggest that the 1985 Customs Authorization Bill preclude changes in the status of the Office of Regulations and Rulings without 90 days prior notice to and consultation with the authorizing Committees in both Houses of Congress.

5. PERIODIC ENTRY PROCESSING AND DUTY PAYMENT

Both the U.S. Customs Service and the U.S. importing community are being inundated by the volume of paperwork required to satify the current procedures for processing imports and paying the duties owed on them. In Fiscal 1982, Customs processed almost four million entries from over 190,000 importers. I'm certain those figures are substantially higher today. Each of these entries required numerous supporting documents—bills of lading, invoices, packing lists, entry summaries, various certificates, etc. Despite this huge and growing volume of entries, the Customs Service has been obliged to process them with substantially reduced manpower and financial resources, a budgetary condition likely to continue indefinitely.

The need to institute changes in procedures to manage this enormous flow of paperwork is recognized by Customs and importers alike. Customs has responded by increasing its automated information processing capability and by establishing alternative approaches such as the bypass program, Automated Broker Interface and the Model Ports Program. The Joint Industry Group believes that these are positive steps but insufficient to achieve the magnitude of efficiency improvement needed to cope effectively with the problem.

In early 1982, the Group recommended to Customs a new overall system which we believe would yield significant savings to Customs and importers. The major savings are derived from processing entries and collecting duties on a consolidated and periodic basis rather than on the current individual shipment basis. It would permit an importer or broker to submit a single entry summary to cover all entries of merchandise within a Customs district (ultimately without any geographic limitation) during the statutory ten-day period (ultimately monthly). Import duties would be paid once a month on a date (probably the 15th of the month) that would not disrupt the present level of revenue flow to Customs. This would dramatically decrease the number of entry documents and checks that importers would have to prepare and Customs would have to process.

Further efficiencies from our proposal would result from a centralization of processing of entry summaries. Those importers electing to utilize this procedure would be establsihed as accounts. All processing of entry summaries, questions regarding classification and appraisement, and liquidations for merchandise imported by the account would be done by an acccount import specialist or team of specialists. The account approach would allow Customs to organize its processing of entry summaries by importers as well as by commodity and not by where the importation hap-

pened to be made. Customs' analysis of importations shows that a mere 3.3 percent of all importers file 62.2 percent of all entries. Thus, we believe that a more rational way of processing the entries of these approximately 5,000 major importers would produce significant productivity improvements and allow Customs to provide smaller or infrequent importers more specialized treatment. Also, this approach to centralized processing can be accomplished without redeploying any of Customs' personnel.

Since our proposal does not change in any way the initial steps in securing the release of merchandise and the filing of the entry, it does not affect Customs' inspection and enforcement responsibilities or the timely collection of import statistics.

Our proposal would establish an optional system designed to deal effectively with large volumes of entries by major importers. As such, it would impose on the importers that elect to use it a higher standard of performance than for those using the existing procedure. This higher standard would be validated by Customs through an expanded and more sophisticated use of audits. As a voluntary and alternative procedure, no importer would feel threatened or burdened by it and Customs would be able to deny its use by those importers who fail to perform to the higher standard.

In response to our proposal, the Customs Service conducted a test of a very limited application of the account concept. For two volunteer test companies, 3M and Volkswagen of America, Customs assigned an account import specialist who served in an advisory capacity to other Customs officials with regard to classification and appraisement of the account companies' imports. The account import specialists were the principal contacts with and for the companies but were given no further responsibilities to process their entries. The test, which ran from February through December of last year, was important as a first step but was so modest that it cannot be considered a valid indicator of the potential for significant productivity improvements which we are confident would be achieved if our overall recommendation were implemented. We are, at Customs' invitation, participating in their evaluation of the test and hope that the Service will now agree to a more comprehensive and meaningful test of our total concept.

Contained in my complete statement is a copy of the periodic merchandise entry and duty payment proposal which we have submitted to Customs.

6. CONSOLIDATION OF PRIMARY INSPECTION FUNCTIONS

The Joint Industry Group endorses the Administration's plan to consolidate the primary inspection functions of the Customs Service and the Immigration and Naturalization Service. We are prepared to cooperate with the Congress and the Administration to achieve a prompt and efficient implementation of this plan. We have communicated to Customs and Immigration our hope that they will make every effort during implementation to minimize disruptions to the timely clearance of cargo, particularly at land border crossings where the primary inspection responsibility for cargo will shift from Customs to Immigration.

7. PUBLIC DISCLOSURE OF DATA IN IMPORT VESSEL MANIFESTS

In the last session the House of Representatives twice passed a necessary and noncontroversial bill governing the information that can be publicly disseminated from the manifests of importing vessels. This proposed legislation is a satisfactory compromise between competing interests. On the one hand, it meets the legitimate needs of those that seek data from these documents to develop models of competitive activity, develop freight services and expand port facilities. On the other hand, it also protects the needs of those businesses which can be competitively harmed if data is disclosed that identifies them and specific information about raw materials, equipment and products they import. This compromise is, in effect, the mirror image of the Shippers Export Declaration Confidentiality Act of 1980.

Mr. Pease's proposal was twice reported by the Senate Finance Committee, and on the same vehicles as passed the House. These were the 1984 Customs Service Authorization Bill and the Miscellaneous Tariff Bill. Unfortunately, neither bill reached the Senate Floor for reasons unrelated to this proposal. The first of these bills has been made irrelevant with the passage of time; strong efforts are being made to secure Senate passage of the second. However, it contains material—the so-called Reciprocity Bill—that has not been considered by the House as a whole, or even by the Committees with jurisdiction. Therefore, it appears unlikely that this bill will provide a prompt or sure means of resolving the disclosure problem.

On the other hand, the need for this legislation is growing. Litigation to secure public disclosure of data in import vessel manifests, including information that

would reveal business secrets of U.S. manufacturing firms to foreign competitors, is proceeding. It is possible that a settlement of this lawsuit that is acceptable to all affected parties—Twin Coast Newspapers who sell this type of information, the U.S. customs Service and the business community—can be achieved. However, if not, the case will proceed, and one side will win and the other will lose. Either those that want additional non-confidential information will be unable to obtain it, or those who need their business secrets protected will find them being made public; neither event appears to be in the public interest.

Consequently, the Joint Industry Group respectfully suggests that if the Miscellaneous Tariff Bill H.R. 3398 has not passed the Senate when this Subcommittee marks up Customs' 1985 authorization bill that it do one or both of the following:

1. Report out Mr. Pease's proposal without amendment as a free-standing bill, and/or

2. Again include it within the current Customs Service Authorization bill.

Thank you for the opportunity to testify and I will be glad to answer any questions you may have.

Mr. PEASE. Thank you very much, Mr. Macdonald. I don't have any questions.

Mr. Frenzel.

Mr. FRENZEL. Mr. Ambassador, it is good to see you and Dave back in this room again.

Mr. MACDONALD. Thank you very much, sir. It is good to be here.

Mr. FRENZEL. I hope some of your memories are fond and I hope some of your paychecks are inflated from those days.

Mr. MACDONALD. Adequate.

Mr. FRENZEL. Can you go over again this business of the study that you are willing to do relating to seizures of nonbankrupt—I don't understand what you are talking about.

Mr. MACDONALD. The Joint Industry Group, as you know, Congressman Frenzel, consists of a group of Customs lawyers, a group of very large companies that do their own importing, and a group of associations such as the Automobile Manufacturers Association, that sort of thing. And they are the repository of a lot of rumors and information that comes in from the field in Customs.

It is their understanding that there are seizures being made that violate section 592, I think (c), or maybe (e). But it is the section that limits the power of Customs to seize unless the importer is insolvent or has fled the jurisdiction. And we I think would like, if possible, to obtain this committee's sanction and authorization to conduct a survey among our membership to see what their experience has been in the seizure area.

Mr. FRENZEL. I have no authority to direct you for the committee, or even to petition you. But I would say from a personal standpoint that I am very interested in that particular feature. We are always nervous that agencies of Government may be overzealous in the exercise of their duties. You would be helpful to us if you can ferret out such seizures.

I am also interested in knowing whether you have any hard evidence of 592 penalties being actually enforced which were in excess of those noted in the original notice. Or is that also a rumor?

Mr. MACDONALD. Yes, I don't believe we have any hard evidence. It is the way the regulations are coming down, that it looks to us as though that is the way it could be interpreted.

Mr. FRENZEL. Mr. Chairman, I would like unanimous consent to include for the record in questions to Mr. De Angelus that particu-

lar question. Are the regulations, or is it the policy of the Customs Service to do that. I would add parenthetically that I hope it isn't.

Mr. PEASE. Without objection.

Mr. FRENZEL. Thank you, Mr. Chairman.

With respect to the 3M and VW experiment, the witness knows that a lot of us have been trying to get that thing going for decades. It makes so much sense that you can realize why the Government doesn't do it, because we never do anything very sensible. It clearly would make life easier for commercial interests and for the Customs Service. And I believe the taxpayers would be as well or better served in terms of revenue collection than they are now.

Whatever advice you can give us, Mr. Ambassador, on how we might expedite that will be very much welcomed.

Mr. MACDONALD. Thank you, sir.

Mr. FRENZEL. Thank you, Mr. Chairman.

Mr. PEASE. I suppose I ought to give you, Mr. Macdonald, one chance, if you want, since this is a hearing on several agencies, to comment on the budget for the STR. Would you like to do that? That is not obligatory.

Mr. MACDONALD. I won't comment on the budget for the STR, but I might be induced to comment on the trade reorganization bill.

Mr. PEASE. Well, we would be happy to have your comment.

Mr. MACDONALD. As a matter of fact, I just wrote an article for the DuPont Context, which I will be glad to send to you, Mr. Pease, and to you, Congressman Frenzel, which describes what I think should be in a reorganization, if there is going to be such a reorganization. And since DuPont paid me to write that article, I suppose there might be some bias in it. But I don't know what DuPont's feeling is about the issue.

Mr. FRENZEL. You don't know yet until you get their check.

Mr. MACDONALD. But essentially, if there is to be any reorganization in the trade field, it ought to bring the trade function closer to the President. Whatever it does, that is the problem. The problem is not that we don't have one agency dealing with trade. We will never have one agency dealing with trade because there are just many agencies that have an interest and there is no way to take it away from them.

The problem is that the trade impact of measures that do not on their face deal with trade, such as education, even, is not brought to the attention of the President. And that trade input is not given to the President. As a result, we do a lot of things that very badly injure our trade position in the world without ever realizing that we are dealing with a trade, a problem that has trade, a trade facet to it. That is just a one second summary.

Mr. PEASE. Thank you very much. We appreciate your testimony.

Mr. MACDONALD. Thank you.

Mr. PEASE. Our final witness for the day is Harold Williams, president of the Industrial Policy Council.

Mr. Williams, we will make your testimony a part of the record, if you wish to summarize.

STATEMENT OF HAROLD W. WILLIAMS, PRESIDENT, INDUSTRIAL POLICY COUNCIL

Mr. WILLIAMS. Thank you very much, Mr. Chairman. I will summarize it very briefly.

This is my seventh consecutive appearance before this committee to testify on the budget for trade adjustment assistance for firms and industries. Five years I testified as an administration witness who was in charge of administering the program. On behalf of all of us who have worked for the program in and out of Government, I do want to express appreciation to this committee, which has been the bedrock of support for this program throughout the Government. We know that the program would not exist today would it not be for the support that resides in this subcommittee. We are very, very appreciative of that.

I think that there are four administration conclusions that are mistaken that lie at the bottom of their unwillingness to submit a budget for this program. First, they believe that import impact is not sufficient justification by itself to warrant assistance, any more than any other impact on an industry would be.

I think that ignores the fact that for 22 years now we have had a compact that has said that in return for freer trade and fewer protectionist measures there will be trade adjustment assistance. And trade adjustment assistance is a quid pro quo. Without it we are forced to look more and more to protection. So there is a difference about impact from imports. We have to recognize that difference and deal with it through trade adjustment assistance.

I think a second administration mistaken conclusion is that the U.S. trade laws provide relief from unfair import competition and therefore we don't need adjustment assistance. I think this committee is very well aware of the fact that the trade laws, as good as they are, just don't help all the businesses that have been hurt. We have example after example of that.

For most businesses to seek relief under the trade laws involve expensive legal help, and a long and tedious process with much testimony, whereas trade adjustment assistance is relatively simple and inexpensive for an industry to get.

A third misconception, of the administration conclusions, and we heard it again this morning, is that the program just hasn't helped firms adjust. It hasn't been an effective program. I think the administration relies on that from the fact that the financial assistance program in earlier years was not very effective, and that there was a very high default rate. The administration neglects the fact that there is much more to the program than financial assistance. There is a very strong technical assistance program which is very, very effective.

Also that conclusion neglects the improvement that has been made in the financial assistance program within the past few years. The program is not now making the kinds of loans that were made 4 and 5 years ago, and which gave us the record that is pointed to every year by administration witnesses as proof the program doesn't work.

We have to learn from our mistakes and we have learned that in the program.

A fourth administration conclusion is that it is a small program, it is insignificant, and affects only a few firms. That again is based upon the mistaken belief that only the financial assistance part is important. In fact, technical assistance goes to many, many firms and through the industry assistance affects thousands of firms and millions of workers. This is, although it is a very small program in terms of its cost, a very significant program in terms of its real effect and also in terms of the credibility it gives to fighting off protectionist pressures.

We are asking for a budget this year of $37 million. We would like to have $15 million for technical assistance through the 13 centers strategically located throughout the country; $7 million for technical assistance to industry, there are about 28 industry groups that are now benefiting from this program; $12.5 million for the loan and loan guarantee program, and $2.5 million for administration.

Mr. Chairman, this committee has shown its support for this program. It has authorized continuance of the program through September 1985. We hope that the committee will see fit to recommend a budget mark for the funds to continue the program throughout the period of its authorization.

Thank you.

[The prepared statement follows:]

STATEMENT OF HAROLD W. WILLIAMS, PRESIDENT, INDUSTRIAL POLICY COUNCIL

My name is Harold Williams. I am here before you today as President of the Industrial Policy Council. We are an organization that is committed to the maintenance of a strong industrial and manufacturing base in the United States. We believe that the provision of trade adjustment assistance for firms and industries is one important way by which we can maintain such a strong base in the face of ever-increasing import competition.

Mr. Chairman, this is the seventh consecutive year that I have appeared before this Subcommittee to testify on behalf of a budget for trade adjustment assistance for firms and industries. For five of those years, I testified as an Administration witness who was in charge of administering the program. For the past two years I have testified in opposition to an Administration that has failed to include funds for the firm and industry assistance program. For two years now this Subcommittee has wisely seen fit to recommend a modest budget for trade adjustment assistance in the face of Administration opposition. We ask that you do so once again this year.

This Subcommittee has recognized, as the Administration has not, that trade adjustment assistance ought to be an integral part of the Nation's trade policy. The Administration's argument against the program is based on four mistaken conclusions. Let me restate each of these conclusions and tell you why we think they are wrong.

First, the Administration concludes that the fact that an industry has been harmed by import competition should not constitute justification by itself for special Government assistance any more than an industry that has been harmed by obsolescence ought to have special Federal help. This argument misses the point that import competition has traditionally led to pressures for higher tariffs and for import quotas. Direct measures to restrict imports invariably lead to retaliation and reduced world trade. Trade adjustment assistance is the answer to pressures for border relief. The existence of a credible trade adjustment assistance program can help stave off pressures for increased protectionism.

Twenty-two years ago, in 1962, the Federal Government made a compact with American businesses and American workers. That compact provided trade adjustment assistance for firms and workers in return for the willingness of firms and workers to allow tariffs to be reduced. It is wrong, shockingly wrong, for this Administration to ignore that compact and pretend that there is no difference between a firm that has been hurt by imports and one that has been harmed by ordinary competitive conditions.

A second Administration conclusion is that since U.S. trade laws provide remedies against unfair import competition, there is no need to provide additional trade adjustment assistance. There may be some persons gullible enough to believe that existing U.S. trade laws provide sufficient remedies to protect our industries from unfair import competition, but certainly the members of this Subcommittee who hear from their business constituents on a daily basis about the problems they are faced with from import competition will not accept that conclusion as justified by the facts.

Leaving aside the question of what is fair import competition and what is unfair import competition, the expense and delay involved in seeking remedy under existing laws is far too much for many businesses. Which is better for a business that has been harmed by imports:—to undertake a tedious and expensive process before the U.S. Trade Commission and the Department of Commerce that may or may not ultimately end up with countervailing duties or a quota or to seek relatively quick certification for trade adjustment assistance and begin getting help in becoming more competitive?

A third Administration argument claims that default rates for firms that have received loans under trade adjustment assistance suggests that a large proportion of loans and loan guarantees have failed to result in the intended adjustment. This conclusion ignores three aspects of the trade adjustment assistance program that have been presented over and over again to the opponents of the program within the Administration, and that have been ignored every year:

1. Most firms that have been helped under the trade adjustment assistance program never receive a Federal loan or loan guarantee. They receive technical assistance that may not involve financing from other non-Federal sources. Many such firms are able to adjust, as this Committee knows from the testimony that has been presented to it in past years.

2. The large default rates for loan and loan guarantees are a legacy of previous policies that mistakenly were too lenient in granting financial assistance. These mistakes have been recognized and corrected. The large default rates are a legacy of the past, but they do not apply to the loans and loan guarantees that have been made for the past several years.

3. The Administration conclusion ignores the crucial importance of assistance to trade-impacted industrial sectors, as opposed to individual firms. As testimony before this Subcommittee in the past has shown, such assistance has been effective, and it is helping with the adjustment process.

I am sure that none of us who have been involved with trade adjustment assistance over the year would claim that the program is perfect or that it always works or that the adjustment is immediate and complete. But there is ample evidence that the Federal taxpayer gets his money's worth many times over in saved unemployment compensation, increased taxes on profits and wages, and lower consumer prices.

There is one final Administration argument that holds the program to be small and insignificant, affecting only a few firms and a few workers and not really worth bothering about. In fiscal year 1984, some 150 to 200 firms will receive some form of financial or technical assistance in carrying out an adjustment plan. About twice that many will receive help in preparing an adjustment plan, and many such firms are then able to carry out the plan without any further assistance. Under trade adjustment assistance, some 35 industries have received $32 million of technical assistance. These industry sectors involve some 228,000 firms and some 6.9 million workers. We estimate that in fiscal 1984 this program will be helping some 28 industries representing 50,000 firms and 3,800,000 workers. This is hardly an insignificant program. It may not be as big as some. Its impact on the budget is insignificant, but its impact on the many firms and workers that are helped is huge. And its impact on our ability to maintain an effective trade policy is potentially enormous.

It should be kept in mind that the kinds of firms being helped have changed markedly over the years. From 1975 to 1980, apparel, leather goods and textiles represented 56.3 percent of all firms certified. In 1983 these three industries accounted for only 28.9 percent of the firms certified. Firms in primary and fabricated metals accounted for only 6.5 percent during the 1975–1980 period. In 1983 they accounted for 16.7 percent. We are seeing more and more high technology and electronics firms. Trade adjustment assistance may have been primarily a program for small apparel firms in the beginning, but it is becoming important to many more industries today.

Because trade adjustment assistance for firms and industries is important; because it provides an alternative to border relief and unalloyed protectionism; and because it has proved its effectiveness over and over again; we ask that it be includ-

ed in the fiscal 1985 budget at a level of $37 million, somewhat over the $27.5 million recommended by this Subcommittee for fiscal 1984.

We would expect that the $37 million would be composed of the following items: A total of $15 million would be provided for refunding the 13 trade adjustment assistance centers that are strategically located around the country and that provide fast, effective assistance directly to impacted businesses. Most of that $15 million would be used by the centers to provide technical assistance through their own staffs and through the employment of specialized engineers and consultants. This amount would permit 750 firms to be assisted in preparing petitions for certification, 375 firms to receive help in preparing adjustment plans, and 160 firms to be helped in implementing those plans. In addition to the $15 million of technical assistance provided through the trade adjustment assistance centers, an additional $7 million would be used for technical assistance to industries, some $12.5 million would be used for loans and loan guarantees, and $2.5 million would be available for administration of the program.

The technical assistance program has been increasing at approximately a 10 percent annual rate since 1981. The average cost of technical assistance per firm has risen from $66,000 in 1982 to $73,000 in 1983, and to an expected $80,000 in 1984. This amount includes the portion of the cost shared by the firm which must be at least 25 percent. The increase in cost is due to several factors, one of which is inflation. More significant is the fact that import competition is now affecting larger and more technologically oriented firms. Securing consulting help for such firms is more expensive.

The $7 million in industry assistance includes assistance to such industries as leather goods, sporting goods, semi-conductors, electronics, gear manufacturers, steel foundries, hardwood dimension, machine tools, wood moldings, and jewelry.

The loan and loan guarantee program, while it directly helps only a small portion of the firms that become certified, is still important to the program, because it is the potential availability of financial assistance which impels many businesses to seek certification and to become interested in the program. Once they have become certified and undergo the discipline of preparing a real adjustment plan, they come to realize that their problems cannot be solved by a soft loan, but that they must undertake basic changes in the way they do business. Technical assistance is provided for this purpose. Only about 15 percent of the firms that are certified ever apply for financial assistance. Yet, we estimate that if financial assistance were removed from the program, as many as 50 percent of the firms potentially eligible for certification would not submit petitions.

Mr. Chairman, for the past several years, representatives of the many firms and industries that have been given new life and new hope under this program have testified before this Subcommittee on the importance of the program and how it has worked successfully to help them. Their testimony is in the records of the hearings over the past several years. We are not going to resubmit their testimony or bring in additional business representatives to submit testimony covering the same ground. We do not think that it is necessary to convince this Subcommittee of the importance of trade adjustment assistance for firms and industries. After all, you reauthorized the program for two additional years last year. You have consistently recommended a budget mark for the program despite Administration recommendations to the contrary.

We hope that you will agree that this is no time to turn our backs on this important program for trade adjustment assistance to firms and industries. The strong dollar has intensified competition from imports and made it all the more necessary to help American businesses become more efficient and more productive. The clamor for increased protection grows. The demand for trade adjustment assistance is increasing. In the six months prior to May 1, 1983, some 180 firms were certified. In the six months after May 1, 1983, some 259 firms were certified. Program managers expect to certify some 500 firms in this fiscal year compared to 415 last year and only 215 in the previous year. The numbers grow daily.

As imports increase, pressures for protection mount. While some protection may be justified and necessary, the best answer to import competition is to help American business become more competitive. That is the aim of the trade adjustment assistance program for firms and industries, and that is the record of the program, according to testimony presented to this Subcommittee in previous years and with which its Members are familiar.

We ask this Subcommittee to give this program the funds it needs to maintain its effectiveness, and to continue its operation during the period for which the Congress, acting on the recommendation of this Subcommittee, has authorized its continuance. We ask for a Budget recommendation for $37 million to continue the pro-

gram through September 30, 1985. We believe that this program is important. It is needed. It has demonstrated its effectiveness. And it gives full value for every dollar spent.

Mr. PEASE. Thank you very much, Mr. Williams. I think that is excellent testimony, a good antidote to the less than forthright testimony we have received earlier from the Department of Commerce.

I have no questions. Mr. Frenzel, do you have any questions?

Mr. FRENZEL. Yes. I would only say that you are giving the committee a lot of credit which probably belongs to its temporary chairman, who has kept this program alive on the strength of his own faith and his own strong personality and hard work in the field.

I disagree with your suggestion that one of the great advantages of the TAA program was that it holds off protectionism. I don't want to deny anybody any other forms of relief they can get under law or regulation. But the blunt fact is that it doesn't hold off protectionism. What was intended to be a tradeoff both in its earlier manifestations and again in 1974, when the current program was really structured, has not done a damn thing to hold off protectionism. And therefore people are looking in other directions.

Do you have any response to that?

Mr. WILLIAMS. Respectfully, sir, I would say it is a matter of degree. I think that in my own experience it has. I can recall when I was in the previous administration, when ITC recommended relief in the case of the leather industry, leather products industry, that the relief was not granted. But in its replacement we had a special program of trade adjustment assistance for the industry.

Similarly, the shoe industry came in for a very strong program in the early years of the Carter administration. Although they got some relief from protectionism, they didn't get as much as they wanted. One of the reasons given for not giving them that much was a special shoe program which was very well received by the industry.

I think if the administration used the program properly it could be a very, very important and key aspect of staving off protectionist measures.

Mr. FRENZEL. Well, they were so successful with leather that they succeeded in writing themselves out of the CBI and were so successful with shoes that there is a quota bill this year. I guess I would have to say I don't think the point is very well proved.

Mr. PEASE. Would the gentleman yield?

Mr. FRENZEL. Yes, Mr. Pease.

Mr. PEASE. I would like to make a point in connection with this. First of all, the gentleman from Minnesota deserves some credit for the continuation of the TAA program by not opposing it with his full vigor. And I think the analogy is good with the TAA program for firms and your claim it helps to stave off protectionism. There is no doubt affected industries would prefer to have quotas, high tariffs, or whatever. But I think the intensity of their claims for protectionist measures would be reduced by the availability of tradeoffs such as TAA assistance.

And I think I can cite from my own experience that the intensity of the feelings of Members of Congress about supporting protection-

ist measures can be alleviated to the extent that Members of Congress have something like TAA to point to when their constituents ask them, "What are you going to do for our industry?" So it is very difficult to measure.

But I would agree with you, sir, that there is a factor involved.

Mr. FRENZEL. I thank the gentleman. I am not above paying a little bribe money every now and then, as long as the customer stays bought.

Mr. WILLIAMS. I think, sir, it is a matter of degree.

I do want to express appreciation both to you, Mr. Pease, and to you, Mr. Frenzel, for your positive efforts, Mr. Pease, and for your lack of negative efforts, Mr. Frenzel.

Mr. FRENZEL. Mr. Chairman, I would like to thank the witness for coming in, and tell him, as we did the previous witnesses, it is always good to have old friends back before us.

Mr. PEASE. Thank you very much, Mr. Williams. We appreciate your testimony.

This concludes our hearings on the fiscal year 1985 budget. The hearing record will remain open for written statements until the close of business Friday, February 10.

[Whereupon, at 12:30 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

STATEMENT OF PATRICK J. O'KEEFE, ACTING DEPUTY ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING, U.S. DEPARTMENT OF LABOR

Mr. Chairman and members of the subcommittee, thank you for the opportunity to submit for the record the Administration's position on trade adjustment assistance for workers under the Trade Act of 1974.

Under section 301(a) and (c) of the Job Training Partnership Act (JTPA), the Secretary may reserve up to 25 percent of funds for the Dislocated Worker Program to be used to provide training and related services to displaced workers in response to applications for these funds submitted by the Governors.

It is the Secretary's intention to make use of these funds in providing job search, relocation and training services to workers certified as eligible for these services under the Trade Act. The 1984 appropriation, which covers trade-impacted workers from July 1, 1984 to June 30, 1985, will provide sufficient funds for most of fiscal year 1985, and therefore the Secretary has provided for those workers. For this reason, separate funding for these services for trade-impacted workers was not requested in the fiscal year 1985 budget.

The fiscal year 1984 appropriation contains $29.7 million for trade-related training, job search and relation. We believe that the funds reserved pursuant to section 301(a) of JTPA—which in the fiscal year 1985 budget will be at the level of $55.75 million—will be adequate to meet the needs of trade-displaced workers, while still providing adequate resources for the Secretary to met the purposes of section 301(c) of the Act.

This concludes my statement. I will be pleased to submit any further responses to questions the Subcommittee may have.

ACCESSORIES BY PEARL, INC.,
New York, N.Y., February 7, 1984.

Hon. SAM GIBBONS,
Chairman, Committee on Ways and Means, Subcommittee on Trade, Longworth House Office Building, Washington, D.C.

DEAR CONGRESSMAN GIBBONS: We are a manufacturer of ladies fashion belts and some years back, our firm qualified for Trade Adjustment Assistance. It can be said with little doubt, that without the help given to us our business would not have survived.

The assistance given us enabled us to develop a more highly styled belt line which was less apt to be affected by imports . . . results, our business more than doubled.

Small companies like ourselves need help in adjusting to the competition from imports. We trust your committee will concur and vote to recommend refunding of the Trade Adjustment Assistance Program.

We would appreciate your seeing that our views are entered into the record.

Sincerely,

PEARL DENGENSHEIN.

JOSEPH HIRSCH SPORTSWEAR CO., INC.,
Brooklyn, N.Y., February 8, 1984.

Hon. SAM GIBBONS,
Chairman, Committee on Ways and Means, Subcommittee on Trade, Longworth House Office Building, Washington, D.C.

DEAR CONGRESSMAN GIBBONS: I would very much appreciate your including the following statement in the record.

It is our understanding that sometime during the next few weeks, your committee will be discussing the refunding of the Trade Adjustment Assistance Program for the fiscal year starting October 1, 1984.

As a recipient of this program's benefits, please let me share with you how our firm was helped. Our company had been a producer of outerwear geared for use during the cold weather months. Trade Act financing has enabled us to expand into related sportswear items, thus converting our company into a year-round operation. Shortly, we will be receiving technical assistance to improve our internal systems, work flow and quality control.

Dollar sales have increased significantly and the added volume has necessitated our increasing our work force from 150 to 200 workers. Most of these employees are from minority groups who usually experience difficulty in finding work.

The Trade Adjustment Assistance Program has worked for us, as it has for many others. We urge your support for continuation of this program for the forthcoming fiscal year.

Sincerely,

JOSEPH HIRSCH, *President.*

STATEMENT OF ERIC RIDDER, PUBLISHER, THE JOURNAL OF COMMERCE

SUMMARY

Mr. Chairman and members of the Trade Subcommittee, this statement is submitted on behalf of Eric Ridder, publisher of The Journal of Commerce, the daily business newspaper of the Knight-Ridder Group, and the Import Bulletin, an exclusive weekly report on imported goods arriving at U.S. ports. The Journal's headquarters are located at 110 Wall Street, New York, New York 10005.

Our statement concerns the need for better public access to information about goods coming into the United States. Last year Congressman Don Pease introduced legislation, H.R. 2588, to provide such information. In its May 9, 1983 statement before this Subcommittee, the Journal emphasized its support for the provisions of the Pease bill. A copy of that statement is attached. The legislation requires the Customs Service to provide public access to certain information on the import manifest. We continue to believe this legislation offers the best solution to assure public access to important information appearing on the manifest, information not now available under the current policy of the U.S. Customs Service. The Pease bill is supported by port authorities and the Joint Industry Group.

The provisions of the Pease bill were included in H.R. 2602, the Custom's Service authorization bill for FY 1984, reported last year by this Subcommittee. The language subsequently passed the House on May 17, 1983. An identical section was included in S. 1295, the Senate Customs Service authorization legislation for fiscal year 1984, reported by the Senate Finance Committee. The Pease bill was also included as a section in the miscellaneous tariff and trade bill reported last year by your Subcommittee. It was also part of the Senate version of that bill reported by the Finance Committee. Unfortunately Senate action on the fiscal year 1984 Customs Service authorization bill and the miscellaneous tariff and trade bill is uncertain for reasons unrelated to the manifest information provisions.

Given the uncertain future of the bills, we urge the Subcommittee to include the language of H.R. 2588 in the Customs Service authorization bill for fiscal year 1985.

If legislation is not passed soon, we will have no alternative but to continue to seek improved access to import information through a law suit which we filed under the Freedom of Information Act last year. While we are confident of success in the suit, we do not think litigation offers the best solution.

We prefer a legislative solution for several reasons. The Pease bill carefully balances the need for improved public access to information against the legitimate needs of importers for confidential treatment of certain kinds of import data. It offers a resolution that is specifically tailored to the import situation. Moreover, it provides certainty of how information access questions will be resolved in the future. Finally, the disclosure of export information by the Customs Service is governed by statute, and we think the rules for disclosure of import information similarly should be established through a statute.

We appreciate this opportunity to again bring this important issue to the attention of the Subcommittee. We look forward to working you to see that appropriate legislation is enacted this year.

STATEMENT

Mr. Chairman and members of the Trade Subcommittee, this statement is submitted on behalf of Eric Ridder, publisher of The Journal of Commerce, the daily business newspaper of the Knight-Ridder group, and the Import Bulletin, a weekly report on imports arriving at U.S. ports. The Journal's headquarters are located at 110 Wall Street, New York, New York 10005.

The Journal of Commerce supports H.R. 2588, legislation introduced by Congressman Don Pease to improve public access to information about imported goods coming into the United States. The legislation is also strongly supported by port authorities. Moreover, Congressman Pease has worked closely with the Joint Industry Group ("J.I.G.") in drafting the bill, and the J.I.G. finds the legislation acceptable.

H.R. 2588 is a revised version of H.R. 1948 which was introduced earlier this year by Congressman Pease. In response to comments from the J.I.G. the Customs Service, and others, Congressman Pease made a number of changes in H.R. 1948 and reintroduced the bill as H.R. 2588.

The Trade Subcommittee has included the full text of H.R. 2588 in the Customs Service authorization bill, H.R. 2602. The language was adopted unanimously by the Subcommittee during its mark-up on April 20, 1983 and was approved by the full Ways and Means Committee on May 4, 1983.

Description of H.R. 2588

H.R. 2588 amends the Tariff Act of 1930 to assure public access to certain information included on the import manifest. It also amends the list of items required to be on the manifest to include the identity of the shipper of the goods.

Under H.R. 2588, the general character of the cargo, the number of packages and their gross weight, the name of the vessel, the port of loading, port of discharge, and the country of origin of the shipment must all be made publicly available whenever this information appears on the manifest. In addition, H.R. 2588 provides that the name and address of the U.S. importer or consignee and the name and address of the shipper of the goods will also be available unless the U.S. importer has filed a certification claiming that such information is confidential. Such certification will have to be renewed every two years.

H.R. 2588 also contains provisions to protect the manifest information from disclosure if disclosure is likely to pose a threat of personal injury or property damage or if the information is exempt from disclosure under section 552(b)(1) of the Freedom of Information Act.

Finally, the bill requires the Secretary of the Treasury to establish procedures to provide publications with access to incoming manifests so that the information outlined above can be disseminated and published in a timely manner. The Journal of Commerce and other publications have been operating under such the procedures for decades and this requirement codifies existing practice. These procedures also contain provisions to protect against disclosure of protected information.

Background

Since 1827, The Journal of Commerce has published information about imported goods arriving in the United States. Originally our reporters on fast sloops would go out to meet incoming ships, copy their manifests, and pony express this information to merchants and other interested parties up and down the Eastern seaboard. Now reporters for The Journal work directly at the Customs House, copying import information from the manifests filed with the Customs Service. This information is pub-

lished weekly in the Journal's Import Bulletin and it is also available on-line from PIERS, our computerized data base. There is simply no other public source of this importer specific information on a nationwide basis.

The information we publish as permitted by current Customs Service regulations includes a description of the imported goods, either the quantity or value (but not both) of the goods, the name of the ship on which they arrived, and the country from which they were exported. The name of the U.S. recipient of the goods is also published unless it has been exempted from disclosure by the customs Service.

The import information is extremely important to a wide range of U.S. companies and governmental interest for a variety of reasons. U.S. shipping and related companies use the information on-line and in published form to identify and contact potential shipping customers and to market their services. U.S. manufacturers use the information to identify importers who might be potential customers for domestically manufactured goods instead. In addition, almost every major U.S. port authority is on-line and finds the information invaluable for long range planning, improving services, and competing for shipping business.

Moreover, many importers welcome the publication of their name together with a description of the goods they import in the Journal of Commerce. Publication informs potential customers in the U.S. and abroad that such goods are being imported by them and has greatly assisted them in expanding their own markets.

Current Customs Service practice

Unfortunately, current policies of the Customs Service limit the import information publicly available, and thus limit the extent to which U.S. companies can benefit from the information. Some of the potentially most useful information on the import manifest is withheld as a matter of course. This includes the origination point of the shipment and the name and address of the foreign shipper.

By country of origin of the shipment, we mean the country from which the merchandise was first shipped in the import transaction. For example, if cotton goods were shipped to the U.S. via Rotterdam from a manufacturing plant in India or Belgium, the country of origin of the shipment would be India or Belgium. However, if goods manufactured in the U.S. were returned to the U.S. from a German Federal Republic company via Rotterdam, the country of origin of the shipment will be the Federal Republic of Germany. In most instances, the country of origin of the shipment will be the country of the shipper.

Additionally, the Customs Service permanently withholds the identity of the U.S. importer/consignee if the importer/consignee submits a written request to do so. The Customs Service assumes that the information is confidential commercial and trade secret information, and thus is exempt from disclosure under the Freedom of Information Act. We believe that such an assumption is contrary to the provisions of the law. The FOIA permits agencies to withhold information under the trade secret exemption only if the fact warrant a finding that the particular information falls within the FOIA's definition of trade secret and commercial or financial information. This requires a demonstration that disclosure of the information is likely to cause substantial harm to the competitive position of the person from whom the information was obtained.

We believe the Customs Service policy violates the principles of the Freedom of Information Act in another very fundamental way. Not only does the service make a blanket assumption about trade secrecy, but it then applies that assumption to all future shipments involving the importer/consignee submitting the request for confidentiality. In other words, once a request is made, the Customs Service will withhold their identity on all their imports for all time. Currently, the Customs Service in honoring confidentiality requests that may be as much as 40 or 50 years old. The procedures in H.R. 2588 will not require the Customs Service to justify every claim of exemption. It creates an opportunity for businesses to reasonably obtain confidentiality while providing maximum public access.

Ironically, the Customs Service's current practices are more protective of information about imports than exports. The issue of protection of export data was reviewed by the 96th Congress, which rejected the Customs Service practice of making blanket assumptions about the need for confidential treatment of export information. Congress enacted export legislation which allows export information to be withheld only if the company submitting the information certifies that it is confidential information. Moreover, requests for confidential treatment ("opt-outs") must be renewed every two years. As a result of this legislation, the requests for confidential treatment of export data have been cut in half with no cognizable adverse effects on the shippers and no administrative burdens on the U.S. Customs Service.

The Customs Service policy on imports cannot be justified in light of the treatment of export data. In fact, by its very nature, import data should be less sensitive and less deserving of Governmental protection than export data.

Conclusion

H.R. 2588 will correct the problems outlined above. It is a well balanced bill which assures public access to important information but at the same time protects the U.S. importers' legitimate needs for confidentiality. We support its enactment into law.

KADIN BROS. INC.,
New York, N.Y., February 9, 1984.

Hon. SAM GIBBONS,
Chairman, Committee on Ways and Means, Subcommittee on Trade, Longworth House Office Building, Washington, D.C.

DEAR CONGRESSMAN GIBBONS: We would welcome your including in the record our views regarding the Trade Adjustment Assistance Program.

Almost fives years ago, our company received assistance under the provisions of the above mentioned program. If not for the timely aid made available by the Federal Government, the future of our firm might have been in question.

The assistance enabled us to review our situation, re-arrange our priorities and implement strategies designed to cope with the imports. As a heavily impacted industry and required some outside help to make appropriate adjustments.

The fact that we are writing you today is indicative of Trade Adjustment Assistance's ability to help . . . the needs we had still exist today for other firms.

We urge that your committee support the continuation of the program.

Sincerely,

SIDNEY KADIN, *President.*

NATIONAL ASSOCIATION OF DISPLAY INDUSTRIES,
New York City, N.Y., February 6, 1984.

Hon. SAM GIBBONS,
Chairman, Committee on Ways and Means, Longworth House Office Building, Washington, D.C.

DEAR MR. GIBBONS: I wish to extend my continued support for the Trade Adjustment Assistance Program. I understand your committee is once again considering whether or not to continue Trade Adjustment Assistance for F.Y.E. 1985. This is the only program that supports small and medium sized manufacturers such as the 251 companies, who are members of the National Association of Display Industries. Imports continue to destroy local manufacturing. In our association, certain products are now produced exclusively overseas. But with the help of Trade Adjustment Assistance, other parts of the industry are displaying renewed vigor.

With the help of the Metro New York Trade Adjustment Assistance Center, we conducted a comprehensive survey of the future direction of the visual merchandising industry. Where will the markets be? Who is or will be hurt by imports? What products will continue to be American made? The results have been distributed to my membership.

Our very independent members have been brought together in focus groups to discuss common problems. We are working together as never before. Seminars, supported by the Rockefeller Brothers Fund, are addressing some of the issues raised by the survey. All this has resulted from an Trade Adjustment Assistance grant of less than $15,000.

Several of my members have already directly benefited from Trade Adjustment Assistance to their firms; other members are still in the T.A. pipeline.

Please continue to support this very worthwhile program. It's an investment in the future of America, not a bailout program. Support Trade Adjustment Assistance, it's inexpensive and it works. Keep Americans manufacturing in America.

Sincerely,

MARVIN H. DORFMANN,
Executive Director.

PARIS PROCESSING CORP.,
New York, N.Y., February 10, 1984.

Hon. SAM GIBBONS,
Chairman, Committee on Ways and Means, Subcommittee on Trade, Longworth House Office Building, Washington, D.C.

DEAR CONGRESSMAN GIBBONS: It is our understanding that your committee will be discussing the Trade Adjustment Program and the extent of funding for fiscal year 1985. These comments may be entered into the record.

Our firm, is a fake fur coat and jacket manufacturer, was certified as import impacted and received technical assistance. We were helped in improving our marketing activities and were to receive engineering assistance to assure cost effectiveness in our manufacturing operations. Diversification of our product line was part of our adjustment plan; for which we would need financial assistance.

The Trade Adjustment Assistance Program required that we assess our business in an analytical manner and develop appropriate solutions to existing problems. This was a new approach for our small business and hopefully will be the means of saving 50 jobs at our in-house plant and contractors. We urge your support for this program.

Sincerely,

NATHAN RUBASCHEK, *President.*

STATEMENT OF DAVID J. STEINBERG, PRESIDENT, U.S. COUNCIL FOR AN OPEN ECONOMY, INC.

(The U.S. Council for an Open World Economy is a private, non-profit organization engaged in research and public education on the merits and problems of developing an open international economic system in the overall national interest. The Council does not act on behalf of any private interest.)

This statement is limited to the International Trade Commission, specifically the structure of the Commission and the adequacy of ITC investigation and analysis in import-relief cases.

We question the need for six commissioners (the statutory complement). At most, only one of the two current vacancies need be filled in the interest of a properly structured Commission. The Commission has got along well with four or five commissioners at various times in its long history. The Commission might operate more efficiently with fewer than six commissioners, and each seat terminated would save the taxpayers more than $100,000 a year when the total costs of each commissioner's office are considered. If the President does not wish to get the number of commissioners reduced, he should move diligently to fill the ITC vancancies. The President's attention to filling Commission vacancies (there were three a year ago, there are two now—with no nominations pending in the Senate) is less than commendable. The need for an efficient, high-quality ITC is not getting the attention it deserves from both ends of "the Avenue".

We question the statutorily required rotation of the ITC chairmanship (and vice chairmanship) every two years. Each commissioner is not ipso facto qualified to be chairman. We also question the authorization of a professional staff (including a legal advisor) for each commissioner. We understand that each commissioner is authorized to have four persons, of whom no more than one can be higher than GS–15 and no more than one additional person can be higher than GS–14. We question the need for such private professional staffs when account is taken of the full access each commissioner has to the Commission's formidable legal and economic personnel.

We suggest Congressional inquiry into the possibility that these private staffs have led to undesirable rivalries between the respective staffs, and adversarial relations between commissioner staffs on the one hand and the Commission staff on the other—affecting adversely the quality and utility of commissioner opinions in import-relief and other cases. The budget savings from reducing or eliminating these personal professional staffs may be of little consequence but, even if this be the case, it is no justification for neglecting inquiry into the desirability of such reform. The money saved in reducing or removing these private staffs might be spent more productively in strengthening the economic and legal staffs of the Commission per se.

The Commission is not fulfilling its explicit and implicit obligations under the Trade Act of 1974 in import-relief investigations. It is neglecting the full implications of Section 201(b)5 of the Trade Act by not fully assessing the adequacy of steps the petitioning industry has taken toward becoming more competitive with imports,

and not assessing the extent to which government statutes and regulations may be impairing the industry's adjustment capability. Also neglected is assessment of the differential impacts which import restriction may have on different sectors of the industry. Windfall gains for sectors not needing government help may cause additional problems for those that do.

Not all these analytical factors may materially affect the Commission's decision in every case, but all are important for the President to take into consideration if he wishes to develop a coherent industry-adjustment policy with respect to the petitioning industry, whether or not the Commission finds serious injury or threat thereof, but particularly if it does. Such an adjustment strategy (developed in conjunction with management and labor) should be the framework for any resort to import control, and the trade legislation should so require. However, the President is free to proceed along these lines even without a legislative mandate, and the ITC should want to help him in this regard in every way it can. Nothing in the trade law prevents the Commission from doing so. In this regard, the Commission is less imaginative and innovative than it can and ought to be.